NATIONAL BUSINESS REVIEW

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American herbicide ban puts focus on new NZ controls

by Belinda Gillespie

THE American ban on the herbicide 2,4,5-T has resurrected concern about New Zealand's controls on suspect chemicals at a time when the Parliamentary select committee on social services is considering new herbicide legislation.

The new law — to replace the Agricultural Chemicals Act — proposes an agricultural chemicals board which is less heavily loaded in favour of industrial interests.

The new board would consist of nominees from the Departments of Agriculture and Health, the DSIR and the Commission for the Environment, five nominees representing growers' interests, two representing manufacturers, and a Government-appointed registrar.

Submissions heard on the first day of committee hearings revealed an enormous gulf between those to whom environmental concerns are paramount (and to whom the use of any chemical must be justified) and those to whom the manufacture and use of chemicals is an economic necessity.

Composition of the board is a controversial issue. The extreme environmentalists think there are too many "political" nominees and too many nominees of largo-scale users, and that nominees of bodies with strong vested interests have no right to be on the board.

The appointee of the Minister of the Environment is seen as a concession to the environmentalist lobby, but it would like to see a non-government representative of its viewpoint as well.

On the other hand, those who apply chemicals (such as the New Zealand Contractors' Federation) and the private sector in forestry want a voice on the board. And they feel that nominees from the Beekeepers' Association and the Wine Institute (whose concerns with pesticides are likely to be restrictive) are expendable.

The Pest Control Association also wants representation.

Ivon Watkins-Dow supports the claims of the foresters and the contractors to be on the board. Similarly, it sees the claims of wine-makers and beekeepers as of low priority, able to be represented by others on the board.

While it supports the idea of a Ministry of the Environment nominee, Ivon Watkins-Dow Ltd has submitted that this person be "preferably employed by the Commission for the Environment", and expressed the fear that otherwise the appointee might be a rabid environmentalist accountable to no one but himself and perhaps able to sway the entire board with eloquence.

The environmental lobby feels that with the present range of membership, the board will find it difficult to convince the public that it is an unbiased body capable of taking action against industries' interest, if necessary, to safeguard public health and the environment.

There is a view that contentious decisions of considerable public interest such as that relating to 2,4,5-T may have to be made before a complete scientific picture is available, and that they are beyond the scope of the board, whose input is chiefly scientific and technical.

Such matters could be referred to the Toxic Substances Board, which will be set up in another new bill, the Toxic Substances Bill (to replace the Poisons Act).

• 2,4,5-T officially "clean" in New Zealand — Page 11.

INSIDE

PM's moves 'not enough'

by John Draper

A STEP in the right direction — but the Government has a long way to go.

That was the reaction among economists after the Government moved last week to lift price controls on a wide range of goods and services.

They argued that the decision was in danger of being dismissed as nothing more than a cosmetic political ploy unless further steps to free the economy and boost exports quickly followed.

It seems unlikely the controls — if kept — would have stopped the next round of price hikes, pushing inflation firmly into double figures. Manufacturers and retailers had grown adept at bending the rules, and inflation was likely to be fired by higher wage claims over the last six months, rises in milk and electricity charges, and inevitable petrol price rises.

But after an initial flurry of price rises, consumer resistance and competition for a declining market are expected to force prices down.

Planning Council Chairman Sir Frank Holmes is in the vanguard of those who say the Government has not yet gone far enough. "If this relaxation of controls is to be effective as the Government wishes it must be part of a complete package to stimulate competition and efficiency," he said.

Negative barriers shielding manufacturers from the draughts of overseas competition must go, he said.

"No one is advocating the abolishment of import licensing overnight, but a phased and gradual reduction particularly in areas where there is a high degree of protection is essential."

Kerry MacDonald, at the Institute of Economic Research, is optimistic that the Government is just beginning to reveal its long term policy aims.

"A statement of that policy may be far more effective than the reduction in price controls," he said.

"Otherwise the move just smacks of another piecemeal decision."

In areas where there was already active competition such as furniture, clothing and most home appliances, the lifting of price controls might stimulate more aggressive marketing and even lower prices, he said.

But the danger lay in the areas where there was no effective domestic competition.

"There are a number of major import substitution industries where there is no competition though there is more than one manufacturer and it is these areas where there is a considerable risk of excessive prices."

The solution was to ignore the inevitable protests and move to a progressive relaxation of import and tariff controls.

But New Zealand's interests might be best served by extending the free trade zone with Australia further than Nafta presently allows.

"If we identify markets we are prepared to expose to competition and the Australians do likewise, New Zealand industry could be allowed to run down in some areas and given more stimulus to expand in others."

Manufacturers, not surprisingly, have been advocating the abolition of price controls for sometime.

The controls had been making little impact and were only imposing an administrative burden on companies and the Government, the director general of the Manufacturers' Federation, Ian Douglas said.

But though agreeing in general with the Planning Council's aims of breathing competitive air into the economy, manufacturers are reluctant to see their protective tariff and import control barriers vanish.

Japan, Britain and America all gave protection to some degree to their own industries, Douglas said.

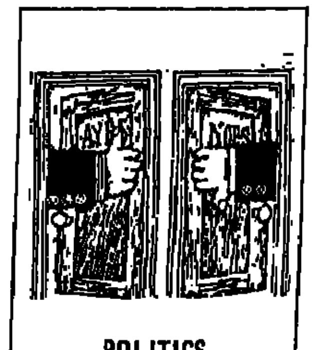
"We accept the present machinery and means of protection are matters for review but adequate barriers are still necessary."

Meanwhile the federation is urging the Government to produce the incentives to help manufacturers double exports in the next five years. At present manufacturers export less than 10 per cent of production. By 1984 the federation is aiming to make it 20 per cent.

• Bad medicine, says our Economics Correspondent — Page 9.

The new National game: select a strategy

by Colin James



POLITICS

LET US, for the purposes of argument, stir together the following bits of information:

- Influential economists, the Treasury and the Reserve Bank have been urging the Government to make a start on dismantling import licensing.
- Certain influential people in the National Party believe that unless there are bold innovations in economic policy, National is bound to lose the 1981 election.
- There is widespread dissatisfaction within the National Party with the style of leadership offered by the Prime Minister.
- The Prime Minister has declined to accept the economists' advice on import licensing (though he has left a tiny chink of light).
- The caucus shows no inclination either to force a bold economic strategy on the Prime Minister or to supplant him.
- Party president George Chapman has been "reviewing his position."

Now, let us stretch our imagination and try to see these tidbits as the Prime Minister might see them.

He was chastened by the election result and subsequent hostility from both within the party and outside it.

He has weathered that storm. There are as yet no discernible plots. He has some breathing space.

He is by instinct a conservative, short-term tactician. This makes him suspicious of long-term gambles, especially when the odds cannot be calculated.

The short-term result of the announcement of even phased radical change in import licensing policy would be unpopularity with important sections of the electorate.

Unpopularity could have two effects. It could enhance the possibility of a coup. And it could make winning the 1981 election more difficult.

There remains the possibility that a coup might be engineered by those opposed to inaction. This is unlikely from within the caucus and it is at least arguable that Chapman's review of his position means Chapman has concluded it cannot be engineered from outside.

The safer course therefore is probably not to court unpopularity through drastic measures. Given the conservatism of the New Zealand electorate, it is probably also the safer course for the 1981 election.

Farmers might like the idea of a freer economy, but rural seats are not the main battleground. The real fight is over the people whose jobs might be on the line by 1980 and 1981 if import licensing was relaxed.

The deficits in the budget and the overseas accounts should not look so bad, come next year.

A few catches among high technology firms with export potential might add a bit of gloss to an improving picture of economic management. Who knows, there might even be a windfall from farm prices.

That improves the chances of holding the leadership intact next year and once through that year it should hold intact until the election.

A few budgetary rabbits out of hats in 1981 give at least a fighting chance of getting through to the following triennium still in the driving seat.

Now let us imagine we are looking at the next few years through George Chapman's rimless glasses.

Chapman revitalised the organisation when it was stunned after the 1972 defeat. He encouraged debate within the party and ensured the fruits of those debates went up to the parliamentary party and were listened to.

There is now a strong message coming up from the party that policy changes are necessary to get back rural support from Social Credit. The organisation has declared open a campaign against Social Credit, indicating it sees that battleground as more important than the Prime Minister does, but the parliamentary party does not appear to be getting the message.

Chapman encouraged party workers in 1974 and 1975 to believe they could win in 1975 and provided an excellent foil to Muldoon's knock-down style of leadership which kicked out a seemingly unbeatable Labour Government.

Power is what the National Party is about. Power was delivered in 1975. But it was only just held in 1978.

The odds are on a loss in 1981 the way things are going. The Prime Minister shows no sign of changing his spots, nor do any of those in the parliamentary party who could help him change his spots, or change both him and the spots, show any inclination to do so.

The party's interests would not be served by Chapman conferring his considerable personal prestige on those spots. On the other hand, its longer-term interests may be served if Chapman can withdraw to a position —such as membership of the dominion council—from which he can more freely offer advice than as president.

Finally, let us look at the situation from the point of view of an influential grouping in the party.

This grouping sees little hope of a change of spots or leadership and every likelihood of defeat in 1981.

The losers would not be members of the grouping, but the Muldoon leadership and the (probably Stuart Masters) presidency who would go down with the ship. Defeat would clear the way for:

- a change of leadership;
- a change of president;
- a change of policies.

Defeat in 1981 would probably mean that the economy had deteriorated to the point that a Labour Government would tie itself in knots trying to fix it and not last beyond 1984—if the National Party organisation and the policies were refurbished.

The intervening years before 1982 would give time to groom the right sort of president (a name out of the air: Hamish Buchanan of the Wairarapa; there are others of promise) and the right sort of leader (say, Derek Quigley).

The new duumvirate would then head for the year 2000 in step with the party and the electorate.

This last scenario has been put to me by a party strategist sympathetic to Chapman. It has a certain logic to it that may appeal to electorate chairmen fielding anti-Muldoon brickbats and wondering what to do about the predicament.

What Chapman thinks about it I do not know since he has not unlocked the inner secrets of his mind to me. Nor, in the Chapman scenario I imagined above, did I do more than surmise what his assessment and motives are (albeit with a little help from his friends).

It is also possible that his resolve to depart has been weakened over the past 10 days by the intense pressure on him to stay. Signs of movement from within the parliamentary party would further weaken that resolve.

But in unravelling for yourself what it all may mean, bear in mind this about Chapman:

- He revels in politics and has not yet grown old in the chair, onerous though the job is.
- His past record suggests he puts the party's interests ahead of his own.
- He has been a near-immaculate servant of the party's interests as he sees them.

As with the Chapman scenario so with the Prime Minister's. Though the scenario fits the facts of his behaviour, I am not privy to the machinations of his mind.

In his case, it is worth remembering that he is a man of very considerable personal power, which has enabled him to ride out the post-election disenchantment so far and to keep a tight grip on his caucus.

It seems to have been he alone who made the decision on import licensing. As far as I can gather, scant opportunity has been given to the caucus, or even the Cabinet economic committee, to pronounce on it.

Deputy Finance Minister Hugh Templeton was much less categorical about the matter when he spoke on the same day—which indicates he was not in on the Prime Minister's decision and makes it all the more breathtaking.

The Prime Minister has a heady, and at times uncanny, political instinct. But there is a strong feeling in the party that it has deserted him for the moment.

That is what the recent flurries at the top are about.

Fund unit holders win partial victory

by Warren Berryman

DISSIDENT Fund of New Zealand unit holders won a partial victory with the appointment of Doug Hazard as new chairman of Fund of New Zealand Services Ltd which manages the company.

Unit holders, many of whom invested in the Fund in response to advertisements stating that they could get their money out at any time, have had their money locked into the fund with no return for the past three years.

During this time the managers, Fund of New Zealand Services, have continued to make a profit and paid shareholders a yearly 10 per cent dividend.

The Fund has been losing heavily on two major investments: Chartwell Regional Centre at Hamilton; and a block of land in East Tamaki.

Dissident unit holders have complained bitterly about the performance of the managers.

At last August's meeting of unit holders 63 per cent voted to have the managers removed from office and have their function taken over by Hazard. This motion failed to reach the necessary 75 per cent (See NBR August 23, 1978).

Unit holders were particularly concerned at the standard of financial reporting by the managers, which they say concealed the true position of the Fund's losses.

They were also concerned about the investment decisions made which have left the Fund with the properties that can now be sold only at a loss.

The Fund's managers have also been criticised for having interests conflicting with those of the unit holders.

One of these complaints relates to an investment of fund money by the managers in Consolidated Silver which resulted in a heavy loss to the Fund.

At the time this investment was made, Fund of New Zealand director and company solicitor, Warwick White, was also board chairman of Consolidated Silver and the Fund's auditors, Kendon Mills Muldoon and Browne were also acting as company secretary to Consolidated Silver.

Another complaint made by unit holders was that the managers invested the Fund's money in a rival property based fund, Security Mutual Funds Ltd in which the managers also had an interest, (see NBR November 29, 1978).

Hazard said "Fund of New Zealand Services Ltd is a private company charged with the duty of management of the Fund. It is not owned by the Fund. I agreed to take the chairmanship of that company because it seemed the easiest and quickest and most economical way of taking an active role in the control of the Fund. I have made it clear to the board of directors, and owners of the company, however, that my prime duty will be to the investors of the Fund. This means that I will hope to ensure efficient and economic management with a reasonable return to the management company.

LPG distributors push for plant decision

by Rae Mazengarb

LIQUEFIED petroleum gas distributors will approach Government over the next few weeks to press for an urgent decision on the construction of a multi-million dollar plant to extract LPG from the off-shore Maui field.

At a time when a range of alternatives to costly imported fuels are being seriously studied, LPG must be ruled out as an immediate large-scale option.

Present output from the on-shore Kapuni field — some 20,000 tonnes annually — is already almost fully committed, either to existing users or to those in the process of converting their vehicle fleets to LPG.

The extraction plant could boost production to 400,000 tonnes per year, but even if a decision is made soon the lead time for plant design and construction means the extra supply will not be on the market for at least three years.

The supply situation has become one of "first in, first served" and some prospective users will have to wait years to gain access to LPG stocks.

The Auckland Regional Authority is considering converting its bus fleet to the natural gas-based fuel but in view of the projected shortage it is unlikely the authority will be supplied from the Kapuni field.

Jim Campbell, general manager of Rockgas Limited — distributors of 65 per cent of the fuel — emphasised there was no danger of over-selling LPG in the meantime but the longer Government delayed over the plant, the longer it would be before LPG could supply a significant proportion of national requirements for liquid fuels.

Details of the company's projected tonnage had been supplied to the consortium of Shell BP and Todd who previously assured Rockgas that supply levels had not reached the level at which the line would have to be drawn; but it is understood the situation may have now changed.

Meetings were held between Shell Oil and Rockgas last week but as we went to print the two had not reached final agreement over a means to satisfactorily allocate the remainder of the product.

Government and the four mining companies of Maui Development Ltd — (Offshore, Shell, BP and Todd) — have been discussing the proposal for more than a year but have not reached agreement.

Last week the Ministry of Energy was at the stage of preparing a draft reply for Maui Development following earlier discussions.

The size of the plant will be determined by its capacity to produce. A simple relatively inexpensive plant can be put into existing facilities, according to Ministry of Energy Resources director Andre Milkop.

Two stages are envisaged. The first process extracts LPG from the condensate stabiliser stream using production plant costing an estimated $1 million.

The second stage — extracting the LPG from the gas stream itself will be more expensive.

The vast proportion of the cost — which could go as high as $150 million — lies in the provision of distribution facilities, for example associated storage and distribution tanks, coastal tankers and marine terminals at New Plymouth and Lyttelton.

Eventual capacity of the field depends on the amount of gas taken off but assuming the projected 170 petajoules annually, LPG production could be as high as 400,000 tonnes.

It may be, however, that because of the expected fall-off in electricity consumption following recent hefty price hikes — and hence an associated fall-off in gas use — less LPG than forecast will in fact be produced.

Government must first approve the entire package but then it will be over to the boards of the four mining companies to agree to any positive scheme.

Until firm decisions are made attention will be focused on alternative fuels — menthanol, ethanol and CNG.

EDITORIAL

PRIME Minister Muldoon went out to bat for the civil service almost a year ago, when he addressed the New Zealand Land Drainage and River Boards' Association. Civil servants were not policy-makers, he emphasised, but were there to respond to the wishes of the Government of the day. Policy-making was "the responsibility of the members of the government in office, who should be the target of criticisms or the recipient."

Thus Muldoon lent support to the doctrine of ministerial responsibility, which has developed from 19th century British Parliamentary practise and expects that a Cabinet Minister will personally assume direct responsibility to Parliament for the actions of the permanent officials in the various departments under his supervision.

A department's officials are considered to be the Minister's agents, and everything they do, they do in his name. A public servant has duties, responsibilities and obligations to his Minister, which are supposed to go beyond mere neutrality. He has, in fact, a duty of complete loyalty to the Minister. In turn, the Minister owes something to his permanent assistants and is bound to protect them from public criticism. Nor must he exculpate himself at the expense of his officers. The Minister may expect and get the popular kudos and acclaim when things go right. He must also expect to take the blame when things go wrong.

Among the important implications for the conduct of civil servants is that they are obliged, where necessary, to keep confidential their official dealings and to retain a discreet anonymity in the sense that on matters of political sensitivity, all public statements normally must be made in the name of the Minister. This aspect of ministerial responsibility has given rise to the Official Secrets Act and has fostered the denial of open administration which prevails in this country, to the detriment of sound government.

More recently, Muldoon has been undermining the very foundations of the doctrine of ministerial responsibility in a manner which is bound to engender alarm among public servants. Already, the Combined State Services Organisation's Executive has expressed concern, following an incident in September last year, when the Prime Minister admitted that a letter had been sent overseas wrongly asserting that the Gleneagles agreement had been ratified by the New Zealand Parliament. Muldoon accused someone in the state services of blundering by putting incorrect information in a letter he had signed. The Prime Minister himself should have accepted the responsibility for a letter sent with his signature about something which had allegedly been done in Parliament, the CSSO not unreasonably argued.

The other day, Muldoon again brought official advice into question. He conceded that the Government's energy policies were "somewhat misdirected" and, among other things, blamed "miscalculations" by various committees that had been set up over the years. In the same speech, he said the 1974 price control regulations which the Government is now removing had been based on bad departmental advice. And he said that Government departments had been responsible for some of the advice which recommended a freeing up of the economy, a removal of internal and external controls, and a return to the competitive world.

Of course, the Government is responsible for the actions of miscalculating committee officials, and the Government has had more than three years in which to get rid of ill-advised price controls. But it is constitutionally significant that the Prime Minister is prepared to expose what he claims are the shortcomings of his advisers.

Regardless of the validity of the complaints, Muldoon's expressions of dissatisfaction with the bureaucracy have vital implications for the conventions which have governed the actions of civil servants for decades, and inevitably must help shape a new relationship between public, Parliament, Cabinet and civil service. The resultant changes are of concern to all who believe in responsible and responsive democratic government.

Bob Edlin

DR John King—director of the Animal Breeding Research Organisation at Edinburgh—is pushing the idea of producing a pig that looks like a sheep, according to an item in The Australian.

"The animal could be bred by injecting the pig with the genes from a sheep," he said. Thus wool and bacon could be produced from the same animal.

"Pigs breed much faster than sheep, so you would get a much bigger wool and meat content," Dr King argues. "It is a long-term idea, but I am sure it is one worth researching."

We're not so sure it's an idea that should be pursued in this part of the world.

Consider the news from Iran that the Ayatollah Khomeini has applied fundamentalist Islam thinking to mutton-eating and put the chill on frozen meat.

Note, too, that Iran has not only been a promising market for mutton, as New Zealand has tried to diversify from an over-dependence on the British market. We have been doing quite nicely out of wool sales, too.

In 1977 our wool sales to Iran were valued at $22,369,000 almost double the sales of $12,086,000 in 1975.

Strict application of Islamic teaching might already have put the future of this trade in jeopardy, without any hint that the stuff came from the backs of pigs.

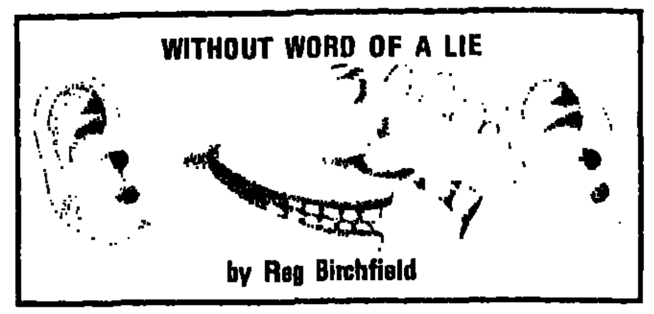
•

THE Government was not about to sell New Zealand to overseas investors, so Rob Muldoon told the Auckland Young Nationals recently.

But the PM is giving every indication of rolling out the red carpet for the German investment mission due to arrive in Christchurch this weekend.

First, Muldoon announced that the overseas investment regulations would be relaxed, a move four years overdue, but timely from the Germans' point of view.

Then there was the reduction in electricity charges for new industries setting up in the South Island...remember the Germans were first lured to New Zealand with tales of cheap electricity? We wouldn't want the Germans to think our Government was arbitrary and capricious, the sort of Government that would just raise the bulk rate of electricity by 60 per cent overnight — would we?



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In NBR February 14, there was an Admark story about the battle Auckland retailers are now waging with local dailies, the Auckland Star in particular. The sharemarket page in the same issue quoted the last sale of shares in NZ News, the Star's parent company, at 178 for the week ending February 8. This was also the highest price for the year to date.

Three weeks later, the NBR Sharemarket Survey quoted the last sale of NZ News shares, for the week ending March 1, at 170. Interestingly, shares in the NZ Herald's parent company, Wilson & Horton, have risen healthily over the same period.

A coincidence . . . or is there a feeling abroad that the Star, probably the brightest and most perceptive of our dailies, is in for a rugged time?

•

ENERGY Minister Bill Birch is reported to have been setting an example to Cabinet colleagues as he strives to encourage fuel conservation, throughout the community. He has told The Dominion he often walks home, "which involves a very long drag up to the top of Kelburn".

He has said too, that the Government is trying to co-ordinate Ministers' travel to avoid unnecessary use of public service cars (the Government runs a fleet of gas-guzzling Ford LTD cars. The Dom pointed out, and in the good old days before the latest energy crisis, Ministers could call up an LTD at the drop of the hat).

If the Minister says that Ministers are doing their bit in moulding conservationist thinking, we can't quarrel. But, we were left wondering at the spectacle of two LTDs parked one behind the other outside Dalmuir House on Wellington's The Terrace last Tuesday—almost within spitting distance (given a typical Wellington wind blowing in the right direction) of the Ministerial offices at Parliament Buildings.

Oh, and there were a couple of chauffeurs patiently seated in one car, presumably waiting for their masters,—a further sign of the Government's eagerness to utilise our economic resources in the cause of greater productivity.

•

REPORTS suggesting that the Canton Trade Fair will be cancelled this year as a result of the Vietnam war are unfounded, according to the Chinese Embassy in Wellington.

Invitations for the Spring edition of the twice-yearly fair opening on April 15 are expected to arrive "for our friends" shortly, a spokesman said.

•

BANKS are likely to be among the first in the rush to put up prices when the Government lifts controls later this month.

Charges haven't gone up in the last three years, but the commercial banks are now paying around 40 cents a time for Databank, their jointly-owned clearing house, to process a cheque. The customer pays three cents.

The Reserve Bank has controlled charges since 1974, but it is now likely the commercial banks will be exempted from regulation. But, regardless, the banks are certain to press for higher charges, if only to make their credit cards—to be introduced later this year—more attractive.

Retailers accepting credit cards will pay up to 5½ per cent commission instead of the present three cents to get their money, providing the Commerce Commission doesn't interfere.

•

FORMER Christchurch Mayor Neville G Pickering is thinking of moving back to Christchurch.

When we rang him last week, he said he was looking for a business there and; "yes a return to Christchurch is very much on our mind".

Pickering said he and his wife had more friends there and felt more at home in the Cathedral city.

But according to Pickering, the important thing was a business. "It could go either way; it depends on what comes up. I am definitely looking for a new business to get into," he said.

Asked if his decision meant he was getting out of Wellington local body politics, he said he wasn't giving the option away yet. "I'll stand in either city if I am approached," he said.

Asked if his run at Wellington Central had put him off national politics, he said "Oh no! Though I am getting a bit old. I don't think I could wait a full three-year term. I'll be 57 by the next election."

Asked finally if he might be available for a by-election, he conceded; "that might be a possibility".

•

WE'VE all heard that Wellington is among the less expensive capitals of the world in which to do business—but a visiting American isn't so sure.

Staying at the James Cook Hotel, agri-businessman Paul Mariani Jnr was in town to attract New Zealand companies to a Foreign Trade Zone at San Jose. And he found $4.5 for two soft-boiled eggs for his breakfast just a bit hard to swallow first thing in the morning.

BROCKIE'S VIEW

Editor: Bob Edlin. Editorial: Ralph Green (Production Editors), Rae Mazengarb, Colin James, Belinda Gillespie and John Draper.

Advertising Manager: Paul A. C. S. Loh. (P.O. Box 9344, Telephones 736-876, 859-019, Wellington.)

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IF an Environment and Conservation Organisations of New Zealand Inc "occasion" held in Wellington recently was a blueprint for the future, 51 per cent of the population will be left firmly in the past.

ECO's invitation asked "Can we afford not to listen and think out options for the future?" But the ecologists seemed to have their ears closed to the aspirations of the women's movement.

In a glimpse of what the future might hold, mats were spread on the floor, Polynesian-style, and convener Ian Prior gave his welcome in Maori.

Main speaker Teddy Goldsmith edits the New Ecologist, ("a journal of the post-industrial age") and is a co-author of Blueprint for Survival, one of the rash of books which appeared in the early '70s predicting doom and catastrophe for the developed world.

The all-male panel gave a hearing to big business, the trade unions, the Commission for the Future, farming and scientific interests.

The only woman brave enough to raise her hand was overlooked till the last minute, and just managed to make her point before supper superseded the intellectual part of the evening.

At that point the women did come to the fore — with a selection of cheese and biscuits, punch and white wine.

ECO was lucky enough to number among its friends the Apple and Pear Board, the Dairy Board and Downtown Cellars, who sponsored the fare offered for the occasion. Thus the ladies didn't have to bring a plate. But they still had the job of preparing and passing around the supper, while the scientists and other male experts sounded off about the future.

So among a number of interesting questions raised was: who did the dishes?

•

PRIME MINISTER Rob Muldoon may be sticking to his word not to pre-empt ministers' speaking rights by holding press conferences, but it seems that behind the scenes he is not giving them carte blanche.

Justice Minister Jim McLay, we are told, had to get the boss's approval for some relatively minor points in the contract of service with the new Securities Commission chairman C I Patterson.

•

TIME to spare—go by air. That would have been an appropriate motto for Air New Zealand the other day but delays and cancelled flights meant a booming business for the bar at Auckland airport during the businessman's rush hour to Wellington and points south.

No amount of beer at double town prices would smooth the ruffled feathers of inconvenienced travellers. The Christchurch flight was delayed and the Auckland-Wellington flight cancelled (it seems that when the pilot tried to start the plane the cabin filled with smoke).

Passengers were left to fossick through the cargo shed for their own luggage and make their own arrangements. There were some angry mutterings about how nice it was to run an airline in a monopoly situation where the passenger was always wrong.

One man in a hurry asked why an airline with something like a 90 per cent load factor on the Wellington-Auckland run couldn't afford a stand-by aircraft.

Some of the better travelled could recall being delayed in the United States where airlines actually have to compete for customers. There, any delay leads to an apology and free drinks and food to compensate for the airline's mistakes.

Perhaps Air New Zealand reserves its civil treatment for the foreign routes where the customer has a choice of carriers . . . and subsidises the good service with the high fares—no frills domestic flights.

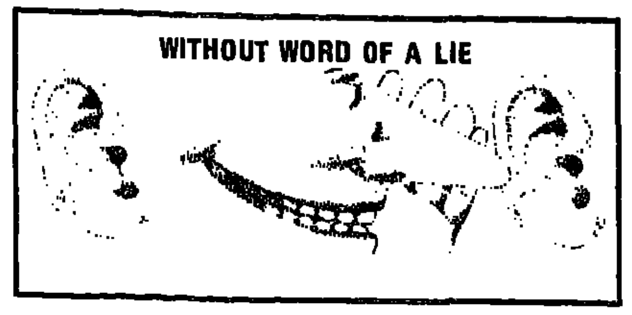
•

WE received a nice letter the other day from an obviously nice man who thought we might like to reprint some nice words about his no-doubt nice company.

He was one P A Johnston, director of Cultural and Economic Development Ltd, and it was with pleasure that he enclosed a copy of an article published by the Christchurch Press and written by a Mr Alex Fox.

Johnston thought the subject matter topical.

"Although the article is to some extent about our company whose activities are



somewhat new in the light of commercial services, it has drawn very wide interest here (in Christchurch, presumably) owing to the depth of economic comment."

Some samples from the article: Well, we learn that CED is providing valuable assistance to New Zealand companies seeking expansion in foreign markets and in New Zealand. "In doing so CED, and its clients are making the New Zealand economy fitter to compete in a competitive world."

". . . bureaucratic controls have made business 'more complex, and it is surprising that CED's services were not established earlier."

"CED has won the confidence of its clients, and helped make New Zealand industry more competitive."

"But it is heartening to know that at least a small section of the economy, CED and its clients in particular, are taking steps together, to surmount the internal and external difficulties and that their efforts might even be contagious."

Johnston says we might find the article of sufficient interest to reprint in our publication, and we are if we are interested he says he can obtain the necessary release from Mr Alex Fox (why not from the editor of the Press, we wonder).

We're delighted to know that we have been deemed worthy of reprinting such an article, but while our critics might complain otherwise, we do try to inject a bit of freshness into our editorial content.

Thus we must decline the opportunity to chorus the praises of CED, but advertising manager Paul Loh, is always open to suggestions. For a fee.

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It seems that one of our biggest companies is not yet geared up to the "more market" economy being talked about in Treasury. We are told that a man from ICI rang up a Government department (which shall be nameless) to ask its advice as to how to promote its products. It seems ICI has been beset by competitors who, drat them, are advertising and marketing their products. Perhaps a clue to ICI's inspired response to the problem of how to shore up its share of the market lies in its parentage — British.

•

LET'S hear it for Sir Thomas Skinner, wearing the hat of retiring FOL president.

He complained the other day that the lifting of price controls could only result in the rampant ripping off of the working classes by businessmen, because the Government's curbs on profiteering were ineffective.

His evidence? Well, he knew of one particular company which had had a 400 per cent increase in profits, but the Government had done nothing about it.

Thus, he equated profit with exploitation, apparently ignoring the possibility it might reflect efficiency and cost-saving.

We can only trust that any revulsion he might feel about profit-making doesn't turn his stomach as he sits at the New Zealand Shipping Corporation board table. If it does, the corporation — and a big investment of working men's tax monies — could be sunk.

•

THE Wellington Society of Accountants has been trying for some time to persuade Prime Minister Muldoon, along as a guest speaker. They've finally succeeded. He'll address them today and we hear he might take the opportunity to announce some new policies that should appeal to advocates of tax reform.

Joint US tourist promotion flounders before square two

A JOINT United States tourist promotion by Australia and New Zealand is not going ahead as originally planned and the Australian Government's new international aviation policy is to blame.

New Zealand's Tourist and Publicity Department and the National Travel Association, however, are still committed to the project, which will go ahead later this year.

The question of what assistance, if any, the Australian Tourist Commission will give in the promotion still has to be worked out.

Last year Australian Tourism Minister Lynch and his New Zealand counterpart, Harry Lapwood, announced plans for a joint promotion in the United States scheduled for the middle of this year to sell Australasia and the South Pacific as holiday destinations.

Since then, the Australian and American Governments have concluded a cheap fares agreement which, on the surface, would seem to help tourist flows.

There are fish hooks. The agreement is for point to point fares which, while they may stimulate traffic between those two countries, will not necessarily do anything for New Zealand.

This country now has a point to point fare agreement with the United States as well, and the question has been raised on both sides of the Tasman as to whether a joint promotion would be the best way of going about things.

Tourist and Publicity Department general manager Micheal Roberts confirmed to the National Travel Association last week that the promotion would not be going ahead as originally planned.

Roberts was careful not to isolate the fares agreement as the major cause of the breakdown in plans, while the Australian Tourist Commission was still sorting out its attitude to what form of participation it might seek in the campaign.


TOURISM

Tourist interests have been stressing that in the United States it is necessary to also market the South Pacific rather than one or two specific destinations because Americans prefer to buy package tour travel taking in several countries.

Air fare policy awaits acid test

NEW ZEALAND Government policy of trying to get all airlines to agree on the same air fares across the Pacific will be sorely tested when talks start with the United States in Washington this Wednesday.

At the centre of the possible air rights dispute is the newcomer to the South Pacific services, Continental Airlines of Los Angeles.

Official policy in New Zealand has aimed at getting a fare agreement which gives Air New Zealand — and by implication, Pan Am as well — protection from predatory fare practices of any new airline coming into the market.

That means Continental in the first instance, although an essential part of the US's new aviation policy gives governments no real control over capacity on a particular route.

In other words, total endorsement of the US aviation policy of de-regulation would mean New Zealand, (among other countries), would lose the right to refuse access to any American airline which wanted to fly here, as often as it liked, through whichever intermediate points it chose, and at whatever fares it nominated.

That could mean total disaster for Air New Zealand, but the case should not be overstated. While these outcomes may be implied in the policy, they need not come to pass.

In any event New Zealand is trying to make sure it retains some control over capacity, fares, stopovers, and the number of airlines operating the South Pacific routes.

Included in that must be a strong stand on possible use of Pago Pago cabotage area to exploit American domestic fares to make a new fare structure across the Pacific.

The thrust of New Zealand policy so far has been to get agreement among the existing carriers on common fares in both directions.

New fares announced earlier this month give north bound travellers from New Zealand a two season fare structure basically as sought by Air New Zealand.

The parties could not agree, however, on south bound fares being the same and Pan Am has forced concessions to the extent that there will be a three season south bound fare structure available for US travellers only. This will give them a deal for most of the year which will be better than those making the same journey starting from New Zealand.

Ministry of Transport sources confirm that the battle for common fares in both directions is not over yet, but the basic aim of getting agreement among existing carriers has been achieved.

This means that New Zealand can now insist that Continental, or any other airline for that matter, must charge the fares approved for the route.

In Continental's case, New Zealand can, and will hold that since Continental made its case for getting the route on the basis of generating new business, it should be required to do that, and not pitch for existing traffic through uneconomic fares.

Contractors punt for Clutha commitment

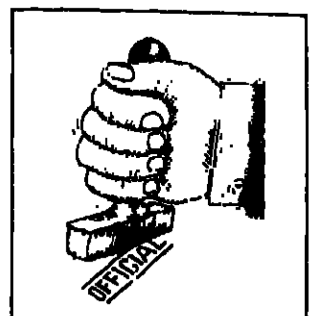
CONTRACTORS are pushing the Government for an early decision on the Clutha power development.

The Contractors' Federation after being "encouraged" last year by its representations to the Government, now wants a decision on how work on the scheme will be divided, presumably believing that they will now be on the winning side in the battle against bureaucracy.

In the last month, however, the contractors have openly slated Minister of Works Bill Young as incompetent of winning Cabinet battles on behalf on private enterprise.

What that will do for their standing with the Government is not clear. No minister likes being taken publicly to task for his so called failings, particularly when, as the contractors did, they rebutted point by point the Minister's defence of an unpopular decision.

But that's exactly what federation national secretary Bob McKnight did in radio interviews and press statements late last month on cutbacks to the funds of the National Roads Board.


GOVERNMENT ADMINISTRATION

The contractors have pushed for most of the Clutha work — estimated at an eventual worth of $1000 million over the next 20 years — to go to private enterprise.

Apart from the value of the work itself keeping a lot of firms going over the next decade or so, the contractors claim the job will be done cheaper, and having a major part of the job will allow for a build up of expertise for eventual export of contracting skills.

So there's a lot at stake in the Government's decision on who is to do what on the Clutha scheme.

Almost exactly a year ago, the Contractors' Federation presented a 47 page report to Young setting out how the work could be divided up into contracts able to be managed by local firms, and stressed that there were enough federation member firms able to submit competitive bids for the jobs.

The comprehensive submission also claimed to show local firms had the expertise in important areas to do the work with the Ministry of Works as engineer and administrator of the project.

Since then the federation has followed this report with three papers — the latest presented only last week — and have had detailed discussions with the Caucus Economic Committee.

Offers and counter proposals have gone back and forward somewhat like an auction for the work.

The Government's opening bid was for contractors to get half the work. While on the face of it this might seem generous considering that the contractors' claims to expertise were less than modest, it was quickly pointed out that material supply was not quite the thing contractors had in mind.

In effect, the argument was that half the value of the work was no real offer at all since even if the Ministry of Works did all the construction, contracts for the supply of such things as aggregate would still go to the contractors.

The Government subsequently increased their offer to 75 per cent of the value of the project.

So just what is at stake. To start with, there's the DG3 dam now worth nearly $200 million over the next 10 years.

The contractors claim this work can be divided up into several individual contracts within the capability of local firms. The first stage would be diversion of the Clutha river which is estimated at $10 million over two years. Allied with this is the supply of $7 million worth of aggregate over five to six years, the excavation of the dam at $20 million over two years plus another $6 million worth of grouting. On top of that there's the dam itself, worth $80 million over five years, $30 million for the power house, $12 million for penstocks and other minor works totalling $30 million.


BILL YOUNG . . . holds a grudge?

The contractors argue that if Government has good intentions toward private enterprise on the Clutha, it should make the river diversion work available to the private sector.

The political wisdom of this course of action may be open to question but the contractors' attitude is clear.

They say in their recent submission: "The attitude of the Ministry (of Works and Development) is quite clear. It intends to carry out the work with its own forces. Such a commitment on the DG3 dam would eliminate any possibility of employing private enterprise contractors on the Clutha scheme for 25 years."

By pushing its 'construct by contract' programme to the forefront of the Government's mind, the federation is making sure its views are taken into account.

History shows price controls must fail

by Bob Edlin

"YOUR America is doing many things in the economic field, which we found out caused us so much trouble. You are trying to control people's wages and prices — people's work. If you do that, you must control people's lives. And no country can do that part way. I tried it and failed."

That advice came from someone who knew all about controlling people's lives — Hermann Goering. He had been responsible for economic planning under Hitler, whose Germany tried comprehensive wage and price controls before and during World War II.

The failure of these policies made just one more contribution to the undeniable lesson of history that price controls never work.

For more than 40 centuries, examples have abounded of failed price-control schemes. Virtually all were presented by rulers seeking an end to inflation and-or scarcities caused in large part by their own economic and political blunders.

New Zealand has had price control in some form for some 40 years.

The last Labour Government produced the Stabilisation of Prices Regulations, which were fiercely condemned by National Opposition front-benchers.

Then these National politicians took over the Treasury benches and kept the price regulations as part of Government policies aimed at "a restoration of stability as an essential preliminary to any moves on price and profit controls."

Trade and Industry Minister Adams-Schneider spoke to business groups, trying to convince them of the need for controls to continue.

The failure of the regulations to achieve the Government's objectives is reflected in one Adams-Schneider speech in 1976. He said the Government hoped that the price measures would achieve a lowering of inflation to 10 per cent — or even lower on an annual basis — by the end of that year.

The target wasn't reached, and has not yet been reached more than two years later.

Whether or not the private-enterprise party perceived the shortcomings of price controls, National committed itself to reviewing price curbs in its 1978 election manifesto.

The promise was put into curious effect by Prime Minister Muldoon the other day.

On one hand, he conceded that the price regulations had created gradually increasing distortions in the economy. "The time has come to remove those regulations and that we are going to do."

On the other hand, Muldoon warned ". . . that does not mean that we are going to give a licence to anyone to make exorbitant profits at the expense of the ordinary New Zealander.

"We are going to retain the right, and indeed, the administrative machinery, to penalise any trader who takes advantage of the removal of regulations to make excessive profits from his fellow New Zealanders."

Nevertheless, the shift to deregulation would have been welcomed by manufacturers, importers, wholesalers and retailers whose enterprise has been numbed by the rigidity of price controls in the 1970s.

At one stage, the Muldoon Government's controls included:

(1) The Commerce Act 1975, under which a number of specified goods and services were subject to more or less long-term price control;

(2) The Stabilisation of Price regulations, covering the prices of most goods and services;

(3) Price freeze regulations which affected tradesmen's charge-out rates, prices for fish, and professional charges.

(4) A number of laws — such as the Transport Act — which controlled certain specified goods or services.

(5) A general price freeze, which over-rode all these controls and was designed principally to complement the freeze on wage rates. It lasted till the end of December for most goods and services, and for remaining goods till May 1977.

ASSOCIATE FINANCE MINISTER TEMPLETON . . . on different wavelength?

Since then, controls have been administered through the 1974 Stabilisation of Prices Regulation which itself was a refinement of 37 sets of regulations. Goods were divided into two broad groups — Category A (consisting of foodstuffs, key consumer goods, cars, metal products and building materials), and Category B, which is virtually the remainder.

The effect was a boost, at least, to the business of lobbying.

Category A traders, whose increases were more tightly controlled, pressed for transfers of a number of items to Category B while Category B traders argued for a more liberal interpretation of their criteria for price rises.

Business was brisk for bureaucrats, too. For example, the wholesale and retail prices of major species of fish remained subject to Government decision. The Fish Retailers Association would apply to the Department of Trade and Industry, which, if it agreed, would put the application to another committee. It then went on to the Cabinet economic committee before it could go to the full Cabinet for ratification.

Trade association members would troop along to their annual conferences and wait expectantly for news of a change of heart. Invariably, the news was bad.

Adams-Schneider told the Retailers Federation's annual conference in 1976, he couldn't review price controls. "Any such move would erode the confidence and co-operation of wage earners."

Still, the Minister did say he realised that margins had been virtually frozen since 1970. He accepted, too, that "if a business is not profitable it is unable to attract investment, unable to create jobs for our growing labour force, and in the ultimate — unable to survive."

And he agreed that the policy tended to favour the less efficient trader against the more efficient.

In 1977, he returned to tell the Retailers Federation it had become "increasingly clear that although the Government's measures to combat inflation, the balance of payments deficit and the deficit before borrowing were having a positive effect, it would be necessary to continue with price controls for some time".

The long-suffering retailers invited Associate Minister Templeton to this year's conference. It would have been an appropriate occasion to announce what Muldoon was telling Young Nationals elsewhere on the same day.

But Templeton and Muldoon were on different wavelengths, and the Associate Minister was able to talk only of a "review" of price controls, while indicating some sympathy for the idea of lifting import licensing.

Templeton said that throughout the 1970s, the New Zealand economy had suffered not only from its isolation and from protectionism, "but from our restraints on competition and trade".

Since then, the Government has sorted out its thinking for public consumption at least, and already Cabinet has given approval for the removal of restrictions on charges for hotel accommodation and hotel meals in a bid to encourage more investment in hotel building for the tourist industry. And it looks like most items in Category B of the price stabilisation regulations will be removed from price control as they come up for their six-monthly reviews. A "positive list" of items to remain under price control will be drawn up, — goods subject to monopoly control or Government subsidy — and a system of surveillance will be devised to discover "unjustified" price rises and to deal with them.

Business resources which for too long have been devoted to accounting for every cent and to help the case for the next price increase can now be channelled into improving company efficiency.

Thus there had been some progress towards greater private enterprise since the day not so long ago, when a delegation of manufacturers left the Prime Minister's office disappointed after seeking a partial lifting of price controls to compensate for the removal of wage bargaining controls in August 1977. According to delegation leader Lloyd Brown, "manufacturers were given no sign of hope that there was anything in Mr Muldoon's mind to give relief to a serious problem."

The winds of change blew at a National Party businessmen's luncheon in April last year. Muldoon said then it was time the Government had a good look at price controls.

And there had been aspects of price control since 1970 which had been arbitrary and unfair, he said.

Surprise, surprise.

In August, Adams-Schneider said the National Government would review price control this year, and disclosed that his department had been discussing the issue with trading associations for "some months".

Further details emerged in the party's election manifesto.

Certainly, the reasons for Muldoon's announcement the other day must be politically rather than economically based.

This becomes obvious when you consider the reasons given by Adams-Schneider (and reiterated by other ministers) to justify price controls early in the 1975-78 administration.

(1) There was a major problem of inflation;

(2) There were some areas — such as the steel mill — where the full force of competition cannot operate;

(3) There were industries where factors such as import licensing tended to limit competition;

(4) There were some goods subject to Government subsidy or purchasing where the use of public funds made control appropriate;

(5) The labour movement felt that if it was to be subject to wage controls, then it was only fair to expect other earners of income to be equally constrained.

Only point five could be eliminated from today's considerations of an argument in favour of price controls, and last week, free wage bargaining was under a cloud.

So what has changed?

Dr Muldoon's price controls: bad medicine

Economics Correspondent

THE Prime Minister broke his silence on the economy to complain about the recent barrage of economic advice he had been getting. And just to show who had the real power to influence economic activity, he ignored the good advice and removed price controls without dismantling quantitative import controls.

The Organisation for Economic Co-operation and Development (OECD) in its annual statement on the New Zealand economy, called for the dismantling of quantitative import controls and a review of price controls.

Muldoon, clearly not wanting to be seen to take the OECD's advice, (or that of Treasury, the Reserve Bank or the Planning Council), prefers to do things the other way around. But in dismantling price controls without also lifting import controls, the Prime Minister has followed a road which makes little economic sense.

Protection in the formal tariffs and quantitative import controls means that our domestic industry does not have to face overseas competition while our export industry does. Removal of price controls will not change this situation and in fact could make things worse than they already are for exporters.

Muldoon believes that lifting price controls will result in increased competition, which will in turn become a regulator of prices. Firms will keep their prices down to under-cut others and to increase their share of the market. And just in case they don't keep their prices down, the Government still retains the right to penalise those who take advantage of the removal of the regulations to make excessive profits.

The trouble is, firms in New Zealand are competing with firms organised along similar lines, restricted to imports of the same sort of machinery, subject to the same Government regulations and usually passing on similar costs (a large portion being wages) in their price increases. It is competition from overseas that will stimulate firms to find labour saving techniques and new technologies to enhance efficiency and keep prices down.

Further, there is a high level of industrial concentration in New Zealand. This means many of the large firms in New Zealand, while not true monopolists, still have considerable discretion over their price and output policies and can behave like monopolists. Monopolists are not constrained by the market in setting prices, but can set prices as high as they like.

The Government intends to maintain administrative controls on goods where there is a clear monopoly interest such as in steel, sugar, bread, certain pharmaceutical drugs and road transport services. But there still will be firms which can behave like monopolists not covered by these remaining price controls. Competition from overseas is the only method, other than an improved system of price controls ensuring that these firms become efficient, low cost producers.

Without the contraint of overseas competition, prices could go quite high after the controls are lifted. As long as firms can show that they are only passing on costs, not making excessive profits, they can put prices up. Our valued exporters will have to pay more for domestic raw materials, which will make it harder for them to compete with world prices in foreign markets. With higher prices, the net incomes of farmers (our chief export earners) will fall, further reducing their desire to increase farm production.

Muldoon accepts the advice that we must move more of our resources into the export sector. In line with this, we must keep our traditional farming industries buoyant, encourage our new agricultural industries in forestry, fishing, horticulture as well as tourism and manufactured exports.

And Muldoon shows he is up with recent economic debate when he says that encouragement to exports must come by freeing up the market rather than introducing more regulations and restrictions.

Lifting price controls may help free up the market, but it certainly will not help those enterprises producing solely for export. It may help firms who produce goods for domestic consumption as well as for export in the short run.

They could pass their cost increases on to the local consumer and stay competitive on the world market (the local consumer in a sense would subsidise our export industry by paying more than foreign buyers). But this sort of behaviour will only delay the day of reckoning as firms avoid adopting more efficient methods.

Of course, the absence of price controls will not make life difficult for just exporters. Before the news of the lifting of price controls, some economists were saying that the inflation rate will be running between 12 and 13 per cent this year and others were estimating an even higher rate. When price controls go off, the inflation rate could easily reach the high levels experienced in 1976-77 of around 17-18 per cent.

Interest rates will probably follow the inflation rate upward. In New Zealand's largely uncontrolled money market, there is a close link between inflation and interest rates.

Adding to the upward pressure on interest rates is the possibility that credit will be tighter this year. Already this month, reserve asset ratios (the proportion of deposits financial institutions are allowed to lend) have been increased to ensure that there will be less cash in circulation.

So it will be expensive to borrow money in New Zealand. But not to worry. In his speech, Muldoon proposes to change the Government's policy on overseas investment so that it will be easier for firms to borrow overseas.

Even this policy is not likely to encourage increased economic activity. Companies will be reluctant to borrow from overseas knowing the possibility of a devaluation later this year. As the Government is finding with its own Swiss and German loans, they become more expensive to pay back as the value of currencies appreciate against the New Zealand dollar.

ROB MULDOON . . . breaks silence on economy

And anyway, overseas firms may think twice about investing in New Zealand when they discover its gloomy economic future, uncertain balance of payments and terms of trade, and the Government's frequent reversals of policy.

It's time the Prime Minister faced these issues and prescribed medicine appropriate to the economy's ailment. He seems to think the economy is doing quite well. In his recent speech to the Auckland Young Nationals, he said that the Government had brought stability to the New Zealand economy, that it had restored the country's shattered economy, that the Government accounts were under control.

In fact, the rate of inflation is still over 10 per cent, the balance of payments deficit is showing signs of deteriorating again, unemployment is over 50,000 and the Government account deficit is expected to be at least $500 million more than the $1050 million forecast in the Budget. There is very little evidence that the economy is on the road to recovery.

The Prime Minister might better spend his energy listening to the good advice he is getting from people who know something about the workings of an economy rather than looking for scapegoats. He's been steering the ship long enough now and has only himself to blame.

Health officials await report on 2,4,5-T ban

by Belinda Gillespie

THE herbicide 2,4,5—T remains officially "clean" while the Department of Health awaits the report from Washington which will give the background to the surprise American ban.

The 2,4,5T debate has been in a deadlock over the last two years while concrete evidence that it produces birth defects has remained elusive.

The Health Department report "2,4,5-T and Human Birth Defects", published in 1977, cleared the pesticide of responsibility for three apparent clusters of birth defects in the North Island. The conclusions reached were similar to those of officials in Australia and the United Kingdom last year.

In America the ups and downs of 2,4,5—T make a formidable case study.

For many years it was used in home gardens and forests, and on food crops. But garden, food crop and aquatic uses were cancelled in 1970, and 2,4,5—T has remained in the headlines ever since.

The American Environmental Protection Agency (EPA) is the force behind the current ban on 2,4,5—T.

In April last year the herbicide was put under a "rebuttable prescription against registration" (or RPAR) for a year.

This meant that the EPA had decided that one or more various risk criteria for a pesticide had been exceeded, and that cancellation of one or more of its uses was a possibility.

Following an RPAR notice, pesticide producers, user groups and others can give information which either supports or refutes the EPA's assessment of the dangers. EPA then analyses the benefits and risks of continued use of the pesticide and decides whether to restrict, ban or continue its current use.

Meanwhile, continued use of 2,4,5—T was permitted, because EPA did not find that it constituted an immediate hazard to health or the environment.

Some EPA investigations centred around a possible link between miscarriages in women of Alsea, Oregon, and the forest use of 2,4,5—T.

An earlier review did not establish a cause and effect relationship, and the EPA called for further data to be collected. The recent ban, presumably, results from examination of this data.

New Zealand scientists are puzzled by the ban, which is inconsistent in some respects. It appears to be based on a small number of incidents of miscarriage, compared with the large numbers exposed apparently with no ill effects at other times to very large amounts of dioxin (the highly toxic component of 2,4,5—T and related herbicides).

Studies of the population in Vietnam after the war showed no conclusive evidence for it causing birth defects in humans, despite use of the defoliant "agent orange" (which was heavily contaminated with dioxin).

Large numbers of pregnant women in Seveso, North Italy, were exposed to dioxin after a chemical factory exploded, again with no proveable increase in birth defects or miscarriages.

The American ban is reported to be on forest use of the herbicide, but not on its use on scrublands and rice crops. If its toxic effects have been confirmed, a logical decision would have extended to all uses, particularly to food crops.

The association of 2,4,5—T with miscarriages, not birth defects, is a new slant.

Previous studies have concentrated on the possibility that 2,4,5-T causes birth defects in humans, as it does in some laboratory animals, but have not necessarily associated it with an increased rate of miscarriages.

The EPA differs from the New Zealand Health Department in being an independent agency, answerable to no government authority.

Health Department decisions overlap with those of other departments — in this case thos of the Ministry of Agriculture and Fisheries. This may make it slower to act than the American agency where a complicated decision must be made. On the other hand, it can be argued that an organisation such as the EPA is much more sensitive to social and political pressure than the more bureaucratic New Zealand setup. It promotes itself in a way which is foreign to New Zealand thinking on health matters, and wants to be seen to be acting in a tough and determined fashion.

2,4,5—T has been around for an embarrassingly long time, and the ban may be an attempt to show the public the EPA not only has teeth, but that it can bite.

Michael Bates, Health Department toxicologist says that when the report giving details of the Oregon study arrives, consultants will be called in to evaluate it. Recommendations will be made to the Agricultural Chemicals Board accordingly.

He considers that it would be wrong to act simply because an American agency makes a decision, without evaluating the evidence.

NSW checks finance house collapse

Melbourne Correspondent

THE New South Wales Corporate Affairs Commission has ordered an investigation into the collapse of the major Australian finance company Associated Securities Ltd, following the appointment of receivers at the request of trustees for the company's 34,000 debenture holders. The action of the trustees is reported to have been prompted by receipt of information alleging that the required ratios on borrowing were not being maintained. The company is believed to owe a total of $A258 million to its creditors, of which $A244 million is owed to debenture holders. The official receiver, Garry Warhurst, said recently that he was aware of the urgent position facing the debenture holders but said, "There is nothing they can do. The trustee has moved in to protect their investments and whatever rights they have will be protected by the receivers." Neither they, nor the 8000 ordinary shareholders, will know for some time officially what return they will receive on their investment.

While ASL's shareholders appear to have lost their money, informed sources believe the receivers will be able to realise at least $175 million, making it reasonably certain that the first-ranking debenture holders will retrieve much of their $A191 million. How much of the $A53 million owed to the second-ranking debenture holders will be retrieved depends on how close ASL's property yields to its book value.

The immediate cause of the ASL collapse was the refusal of a major shareholder, Ansett Transport Industries, to inject any further funds into the ailing company. Holding nearly 50 per cent of ASL's shares, the Ansett group stands to lose more than $A17 million. But large as Ansett is, it does not have the recources to continue to cover ASL's land speculation losses.

Following further trading losses at the end of 1978, it was estimated that the company would need the injection of $A14 million over the next 18 months. Although Sir Reginald Ansett, the head of Ansett Transport Industries, serves on ASL's board of directors, he declined to plunge the Ansett group further into the morass of the Australian property market. Sir Reginald serves on the ASL board of directors with two other prominent business identities, Sir Henry Bolte, former Premier of the State of Victoria, and Sir Cecil Looker, a former chairman of the Melbourne Stock Exchange.

Many ASL shares are held by private individuals, some of whom would undoubtedly have been induced to invest their money in the finance company by the presence of such prominent businessmen.

Science and the public on different wavelengths

by Belinda Gillespie

ENVIRONMENTALISTS in New Zealand claim that use of 2,4,5-T should be suspended until it is proved beyond a shadow of doubt that it cannot cause birth defects, miscarriages or cancer.

Industry and Government scientists assert that such proof is unattainable, that all substances can be proved to be harmful if they are studied intensively enough, and that the benefits of 2,4,5-T outweigh potential risks.

Between these two viewpoints is emerging another — that the best that can be achieved is an "assurance of safety based on a rational scientific judgment of the available evidence".

Above all, the 2,4,5-T controversy is a good example of the failure of science to listen to the public, and vice versa.

The note of alarm was first sounded in New Zealand by a Te Awamutu GP, Dr Sare.

His claim that deformed, stillborn children born to two of his patients was caused by 2,4,5-T was not substantiated by a specialist committee set up the Agricultural Chemicals Board. But the committee recommended that the chemical should carry a label warning of possible danger to pregnant women.

The evidence of birth deformities in experimental animals, the committee's recommendation, and the example of Canada, led to the compulsory warning being introduced in New Zealand in 1972.

Canada subsequently removed its warning statements. Meanwhile in New Zealand, the Health Department began its investigations of the clusters of birth defects in the North Island.

Before the results of the studies were published, and in a move seemingly calculated to undermine public confidence, the Agricultural Chemicals Board decided to drop the warning label.

"No comment", was the Health Department reaction — "the board acted independently of the department."

The American ban perhaps illustrates that there is a growing acceptance of the idea that any decision regarding toxic chemicals must be "a socio-political balancing process".

Pesticides carry greater benefits and greater risks than other chemicals. People know that they are poisonous. What they need to be assured of is that all has been done in an open and unbiased way to consider whether the benefits outweigh the risks.

The scientific side is only one input in the whole process.

Rick Armstrong, a scientist working with the Commission for the Environment, says he doubts whether 2,4,5-T can be used in the foreseeable future without causing grave public concern. Its chemical warfare use in Vietnam and highly publicised dioxin content are firmly imprinted on the public mind, irrational though this may be, he argues.

The Swedish Board of Health has suggested that the psychological effects of fear of aerial spraying of the chemical are themselves a sufficient health hazard not to allow such spraying.

In other words, not only must the continued use of a chemical be scientifically justifiable — it must be "compatible with the real needs and wishers of the community".

The Agricultural Chemicals Board in the past has operated "behind a smokescreen of secrecy".

The chance of a greater input from the concerned public is now in the hands of the select committee which is hearing submissions from both sides of the communication gap (see story, Page 1).

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NBR BUSINESS WEEK

Muldoon taints foreign investment debate

By Peter V O'Brien

THE inevitable square-off positions are being taken on the issue of encouraging overseas investment in the New Zealand economy. The inevitable debasement of the issue is also occurring.

Prime Minister Rob Muldoon told Young Nationals in Auckland on March 3 that the Government would change its policies on overseas investment because it was now clear that New Zealand needed more overseas investment in technologically complex areas.

Muldoon referred to Singapore as a successful economy which welcomed overseas investment in any industry. (Muldoon might admire the "strength" of the Singapore administration, but he could have used examples which would be more acceptable to doing-their-own-thing New Zealanders).

But the Prime Minister (again inevitably) could not resist bringing a sensible point down to a non-constructive level. "The outcry will come from the know nothing element in the community that we are selling New Zeland to foreigners."

A combination of secrecy in the Government and bureaucracy, and attacks on those who join the national debate lowers the level of debate. People may eventually leave for places (apart from Singapore) where debate is more rational.

Muldoon's basic argument (excluding his rubbishing approach) was offset by the letter in last week's NBR from Combined Unions Industrial Officer Campbell.

On foreign investment increase, Campbell said in referring to Planning Council recommendations: "Proposals of this kind are what has made South Korea, Hong Kong, and Singapore such attractive places—to other foreign investors at least. In fact already crucial areas of finance and production are overseas controlled, and this fact is placing constraints on our ability as a nation to determine our economic future.

The fact that we are short of investment resources will not be solved by this avenue, as recent gains in trade balances have already been wiped out by 'invisibles' in which payments for interest and investment income to overseas owners showed the greatest leaps".

Campbell is probably one of Muldoon's "know nothings", but his addition to the debate can probably be taken fairly as a union view. It raises a basic question.

How does New Zealand get the technologically based industries which are necessary for earning overseas income, when the country is under pressure from agricultural protectionism and lives at the other end of the world?

This country has 3 million people, and a national income before price adjustment of about $15,500 million. Agricultural protectionism overseas, distance, small population, a miniscule national income, nil growth in real terms, and the existence of more favourable investment options for overseas investors are more likely to be the "constraints on our ability as a nation to determine our economic future". Plus a negative attitude to overseas investment.

There are alternatives. At the risk of pushing a case, the Irish can be examined again. They decided to open their economy; to encourage overseas investment; to make that investment meet local criteria; to plan; to increase industrial exports; to reduce reliance on a doubtful EEC agricultural policy; to make the nation grow; and to preserve national economic and political independence.

But democracy prevails in the Republic, with all political parties and the trade unions agreed on the strategy (although there are arguments about specifics). The country has the fastest growth rate in Europe. On OECD projections it will be equal second, behind Japan, in the OECD growth league in 1979.

There are still many problems, but the development is interesting for a country of 3 million, an agricultural base, and few resources apart from grass and an equable climate.

Ireland's membership of the EEC is an advantage which New Zealand lacks, therefore we need to do even more dramatic things to overcome that lack.

Muldoon has yet to spell out how the policies will change. No doubt the Government will cut out the 25 per cent requirement on overseas investment in New Zealand companies. Will it actively encourage overseas investment, apart from the recent negotiations with Germany? Will it break down the bureaucratic morass which requires independent discussions and approvals from 11 departments and authorities (see NBR, Ja[n] 24, on how we lost a $90m [...] investment)?

But that is detail. Sa[...] broad idea, present the proposals when it is too[...] the debate, and res[...] comment by referring [to] "know nothings". Tha[t] become the standard [...] New Zealand, as [...] emigration and insular reaction against over[seas] investment.

Territory tries state insurance

THE Chief Minister of Australia's newly created Northern Territory Government, Dave Everingham, has announced that his Government will set up its own insurance office. He said the Northern Territory Government had received its commissioned report on the economics of insurance within the Northern Territory, and, in his opinion, it had revealed that the only way to retard the rising costs of third party insurance, and to expedite compensation payments, was by the establishment of a Government insurance office.

Accordingly, the Territorian Insurance Office will now be responsible for all third-party and workers' compensation in the Northern Territory. It is scheduled to begin business on July 31, and Everingham said on that date the cost of third party insurance for private motor vehicles, reported to be the highest in Australia, will fall by $A34.

A spokesman for the Government said that in the present circumstances the only alternative for the Government was to go on approving even higher premiums to cover the mounting losses by private insurance companies.

The Australian Life Offices Association is reported to be strongly opposed to the establishment of the Government insurance office. Its executive director, I. Renton, expressed concern that the Government would intrude into life insurance business. The Northern Territory, he said, was already well served by competitive life insurance companies offering a [...] variety of policies. There [was] no need for a wa[...] duplication of service[s at] taxpayers' expense.

Increasing Governm[ent] involvement in insura[nce in] Australia, however, is [not] confined to the North[ern] Territory.

In New South Wales, p[ublic] hospitals have been instr[ucted] by the State Governme[nt to] transfer their insura[nce] business to the State Gov[ern]ment Insurance Office, an[d] which will increase its re[venue] by some $A25 million [per] annum. Currently New S[outh] Wales public hospital b[oards] conduct their own insur[ance] business with insura[nce] brokers, paying the prem[iums] from an allocation rec[eived] from the State Governme[nt's] general operating exp[...]

Analysing annual accounts

by Peter V O'Brien

GENERAL FINANCE LTD will not regret the decision it made to take over Group Rentals Ltd in 1975.

The annual report for the year ended October 31, 1978 shows that the subsidiary is producing a return out of proportion to the investment, although it is necessary to track an involved path through the accounts, notes, and supplementary information.

Rental television (Group Rentals' principal business) contributed $10.1 million, or 37.4 per cent, of total gross income which amounted to $26,967,000.

The total investment in television appears to be about $19,665,000, unless there is a further amount hidden in the accounts.

The $19.6 million is calculated by taking the company's $15.15 million of "rental equipment" and adding on the proportion of gross advances which is released to "domestic appliances". At October 31 last year, that proportion was 5 per cent on gross advances of $90,266,000, or $4,513,000.

A comment in the chairman's review, that "the division's assets increased over the year by 33 per cent to $17 million", differs from the figure just calculated, but the difference could be "income yet to mature", although there is no breakdown of that amount. ("Income yet to mature" is the income related to future years and added to a credit instalment advance at the time the contract is written).

Taking the amount of $17 million as the asset figure, this means that 13.7 per cent of total assets produced 34.7 per cent of gross income. A shareholder at the annual meeting asked a question about the performance of the television rental subsidiary. The answer may have satisfied him, but it did not cover the important element in a rental contact.

Rental assets are depreciated, unlike most other finance company advances. General Finance depreciates rental equipment on a straight line basis at the rate of 13.3 per cent a year, that is, an average "useful life" of 7.5 years for each item.

The income generated by the rentals is spread over the life of the asset, so that, in time, the income should become a higher proportion of the asset value in the books than is the case in most other types of finance house business. If the asset "lives" longer than 7.5 years there is also additional income generated.

Income from finance company advances is brought to account by allocating income over the lives of the agreements in proportion to the reducing balances outstanding.

The rental division also consumes interest charges on the funds invested in it, but the General Finance accounts suggest that this amount is proportionately in line with the allocation of interest charges on funds used in other advances.

The company usually provides good information in its accounts and the accompanying text, but this year, apart from the question of television, there is one matter in particular which could have received more comment.

Under the heading "commercial bills" in the consolidated balance sheet, there is an amount of $5,230,000, being bills discounted, from which $645,000 is deducted, being "less bills rediscounted and not yet matured" to give a net figure of $4,582,000. In 1977 the gross figure was $5,286,000, and the deduction was $3,344,000. The resulting net figure was $1,942,000.

That substantial change is worth a comment in the report, or in a note. General Finance either thinks otherwise, or the company just overlooked the point. The group was holding a much higher level of bills in its own portfolio at October 31, 1978, but does not say why.

The text gives a clue by referring to fluctuating interest rates in the money market division which meant narrower margins between borrowing and lending rates. The easier money conditions which were becoming apparent towards the end of the company's financial year may have been a factor in increasing the portfolio, rather than rediscounting, but again the report offers no comment.

The rest of the information in the report is up to the company's usual good level of disclosure.

It may be unfortunate that, in the group's fiftieth anniversary year, the earning rates and the present gearing were insufficient to allow shareholders a bonus issue. They received an increase in the dividend (from 12 per cent to 13 per cent) with 7 per cent of the total payment being paid from tax free reserves. But bonus issues, of say one for four or one for five, require additional funds in servicing, a difficult task on an earning rate of 23.3 cents a share.

The company did well in a relatively tough year to lift net profit 39 per cent, and to get the return on shareholders funds back to 14.2 per cent, compared with 13.5 per cent in 1977 and 14 per cent in 1976.

Exchange rates

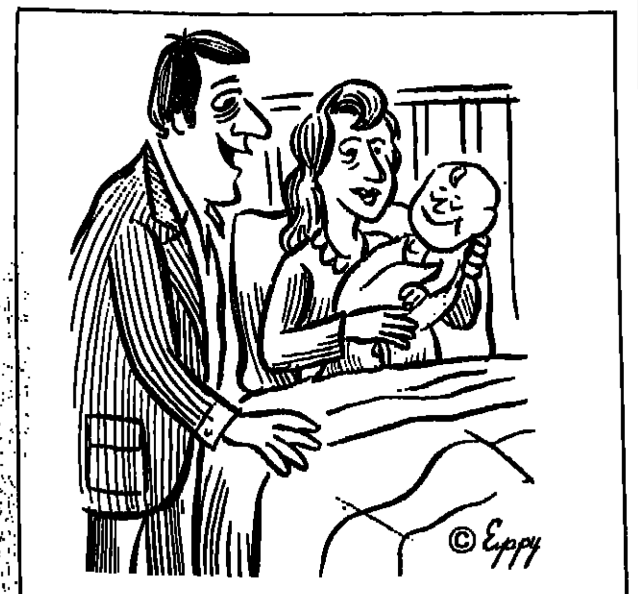
As at 8 March 1979 $1NZ is worth:

Australia	.9360
Britain	.5174
Canada	1.2496
Fiji	.8700
Japan	213.55
West Germany	1.9389
USA	1.0520
Austria	14.17
Belgium	30.70
China	1.6238
Denmark	5.4322
France	4.4708
Greece	37.86
Hong Kong	5.0369
India	8.4077
Italy	878.63
Malaysia	2.2937
Netherlands	2.0916
New Caledonia & Tahiti	81.33
Norway	5.3035
Pakistan	10.28
Papua-New Guinea	on application
Portugal	49.77
Singapore	2.2654
South Africa	.8783
Spain	72.14
Sri Lanka	on application
Sweden	4.5508
Switzerland	1.7455
Western Samoa	1.9389

Selling rates supplied by CBA Bank.

Key indicators

		Current Period	Previous Year	per cent change
Consumers Price Index -all groups base Dec 1977-1000	JAN 79	1104	1001	+10.3
Building Permits Issued	NOV 78	$107.4m	$102.1m	+5.00
	NOV 78 Yr	$1056.6m	$1182.1m	−11.00
Official Overseas Reserves	JAN 79	$798.4m	$503.6m	+56.00
Registered Unemployed - Incl those on special work schemes	DEC 78	41,210	24,332	+69.00
NZUC Share Price Index	8 MAR 79	322.32	290.61	+8.00
Reserve Bank Share Price Index	7 MAR 79	1351	1263	+8.00



"You're a new mother, and I'm a new father, and now we have a new tax deduction."

Relief only short-term, without the invisibles

by Peter V O'Brien

IT would be good news if the latest Overseas Exchange Transactions figures from the Reserve Bank represent a turning point in the country's trading position.

Unfortunately, analysis of the figures (before looking at the problem with invisibles) suggests that relief on the trading account may be short term.

In the year ended January 1979, export receipts totalled $3735 million, an increase of $335.7 million over the 1978 January year. Import payments were about 2 per cent lower, at $3,102.5 million, with a 3.6 per cent decline in private imports offsetting a rise in government payments.

A $144.2 million lift in receipts for meat was a major factor in the improved return. Wool moved from $652.8 million in 1978 to $681.9 million this year, and should do better when the recent high prices show up in the statistics.

Dairy products continued their recent improvement, although they were lower when the month of January is isolated from longer term figures. (Special factors can affect export receipts for a particular product in a given month. It is better to look at longer time spans when considering the Reserve Bank's cash transactions).

The slow down in growth of manufactured exports is a matter for concern, given the necessity to broaden the base of overseas trade.

The value of manufactured exports in the 1979 January year was 14 per cent above the previous year. While this may create satisfaction because the dollar return was higher, the percentage gain was low.

Manufactured exports grew 14 per cent between 1977 and 1978, after a movement of 63 per cent from 1976 to 1977. The $578.8 million recorded in 1978-79 emphasises the difficulties associated with switching trade from traditional export products.

Reference to the figures for the December year (which give a breakdown by country of payment) indicates the general vulnerability of manufactured exports to economic changes in other countries. Australia took $239.7 million worth of manufactured goods in that period.

The amount was 41 per cent of the total for the calendar year, and shows that the export drive among manufacturing companies will be a long term process before our reliance on Australia, and its changing economy, diminishes to a level where trans-Tasman sneezes lead to colds rather than a bad case of influenza.

The effort spent on Export Year may overcome this problem, but again the full benefits of that promotion will take time to show up in the overseas accounts. Traditional primary produce exports will be our base until there is again significant growth in export of manufactured goods.

Invisibles reached their inevitable $1000 million deficit in the January year, pushing up to $1020 million, after closing calendar 1978 at $998.9 million.

There has been a considerable rise in both payments for interest and investment income, and (on the capital account) for repayment of private overseas debt.

While some of the debt repayment relates to rearrangement of overseas loans on the New Zealand market, in the normal course of business, the total figures are too high in both categories to be dismissed as "normal".

Private capital payments were $366.3 million in the December year, rising to $380 million in the 12 months to January. The corresponding figures in the previous years were respectively $185.2 million and $196.4 million.

Payments for interest and investment income in the private sector were 222.2 million in calendar 1978 as opposed to $169.8 million in 1977.

Movements of this size obviously have several components, but it would be interesting to know how many private organisations reacted to the speculation about devaluation throughout 1978, in spite of the case against devaluing the currency in the conditions which prevailed last year. That information will probably never be available, thus allowing the instigators of the speculation to rest easy.

The outlook for the coming months is rising export receipts for meat and wool, (the latter fortuitous as New Zealand benefits from other people's troubles) an [illegible] in import payments [illegible] stimulus of the [illegible] economic activity, and continuing substantial [illegible] on invisibles, although [illegible] slower growth rate [illegible] last 12 months.

Broker attacks compulsory scheme

Melbourne Correspondent

THE president of the Insurance Brokers of Australia, W E Smith, has attacked a compulsory professional indemnity insurance scheme for solicitors recently introduced by the Law Institute of the State of Victoria. Under the scheme, introduced last July, the solicitors are covered for $A100,000 against law suits seeking damages for negligent advice, or negligent action.

The Law Institute itself is a beneficiary of the scheme since it receives a commission on members' premiums, and is entitled to a profit bonus. Smith said this gave the Law Institute a direct interest in minimising claims, and the Victorian solicitors themselves now had a financial incentive not to sue fellow members. If substantial awards were made against solicitors, insurance premiums would rise and nearly every Victorian solicitor would have to pay higher premiums. For that reason, people wishing to sue a solicitor in Victoria should [illegible] expect disinterested assistance from any [illegible] solicitor or the Law Institute itself.

Every solicitor in [illegible] practice in Victoria, he [illegible], has a financial incentive [illegible] discourage actions against fellow solicitors, and minimise awards if an [illegible] is unavoidable.

The Insurance Brokers Association wants the Victorian State Government [illegible] rescind legislation for [illegible] scheme.

Anticipating takeovers prove useful investment strategy

by Peter V O'Brien

INVESTING in potential takeover situations is a useful investment strategy. This year the shrewd investor who has followed, or is currently following, that strategy should do well.

Both those statements are probably truisms, which raise obvious questions. What are potential takeover situations? How do you follow such a strategy? How long do you have to wait before the payoff?

INVESTOR INSIGHT

Takeover situations arise in several ways. The first approach is to sort out companies with high asset values, but with earning rates which are low relative to the assets employed in the business. If the earning rate is low the company's performance is usually reflected in a share price well below asset backing.

A share price might be low relative to the asset backing, but a high percentage of the share capital can be in the hands of one or two shareholders and the company might also have specialised assets which defy "rationalisation".

The Tasman Pulp and Paper Co Ltd is an example. Apart from its status as a company vital to the economy, Tasman has net asset backing of $2.77, and a share price last week of $1.46 for the 50 cents units. But the company's capital is limited in its spread, with two shareholders dominating the register. Tasman's pulp and paper plant at Kawerau is also a specialist facility. Even if it closed down, there is little chance of realising the assets at anything near their book value. What do you do with a pulp and paper plant except use it to make pulp and paper?

Meat companies are in a similar situation where offerors also require the approval of the Minister of Agriculture, which may be given or withheld for reasons which are irrelevant to the enterprise's financial performance.

After allowance for those pitfalls, it is still possible to sort out groups with a spread of shareholding, low earnings, high asset values (and book values often understate the true value of the assets), and which operate in industries where there are several other organisations. The last point is important if capital profits can be made by selling off surplus assets after acquisition.

A takeover situation also arises where there are too many companies in an industry. "Too many" is a subjective view, but commonsense can be applied. The retail and engineering industries are examples, given concrete expression in the Nathan-Woolworth deal, and the current moves on Tappenden and apparently Consolidated Metal Industries.

These takeovers involve "restructuring" the economy while the authorities are still writing position papers on the same topic. The market is used to rationalise industrial investment.

The third area comprises companies seeking diversification, but unwilling to set up new facilities at present day costs. This is relevant to the high asset value-low earning rate case mentioned earlier, although the potential offeror may be looking for a good performing company, to avoid the time and trouble necessary to straighten out a poor performer. Integrating a new unit into an existing organisation is costly in terms of executive and administrative time before the profit benefits flow. Adding to costs and other problems by buying a poor performer can deter large industrial companies from taking the step.

The investor who [illegible] targets for any of the [illegible] given must then consider [illegible] time factor. Few companies [illegible] New Zealand, with the exception of takeover specialists [illegible] Brierley Investments, [illegible] themselves to acquiring [illegible] stake on the market before making a formal offer. So [illegible] investor either has to buy [illegible] then sit until the judgment [illegible] confirmed, or assess [illegible] which fall within a Brierley type strategy.

The latter can often be [illegible] by observation of steady [illegible] buying in companies [illegible] within the undervalued [illegible] low earnings criteria, [illegible] ticularly if the share [illegible] moves ahead on volume [illegible]. That can be a sign that [illegible] are being accumulated [illegible] varying prices which are [illegible] out below the current [illegible].

Unfortunately, an investor [illegible] requires either a solid [illegible] balance, a sympathetic [illegible], manager or other lender, [illegible] three to follow that path [illegible] acquisition of stakes in [illegible] companies is time consuming. An operator in the Brierley mould may take years to [illegible] up a no-loss situation, where [illegible] either bids with 10 or 15 [illegible] cent and succeeds, or loses [illegible] takes a profit on the shares already held.

If a bid of any type [illegible] including those where [illegible] offeror acquired no [illegible] holding, the shareholders [illegible] be better off in capital appreciation.

The Ceramco bid for [illegible] Corporation is an example. MSI shares are still priced [illegible] per cent higher than the [illegible] bid price, although the [illegible] was withdrawn. The shares sold up to $1.45 during [illegible] fighting period, so [illegible] shareholders have done [illegible] in spite of an abortive bid.

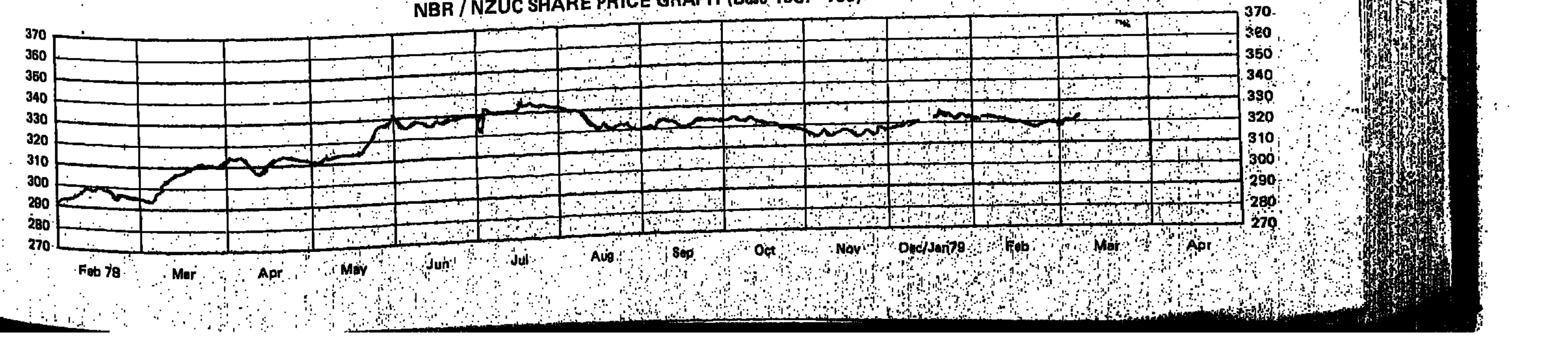
If an investor has neither [illegible] time nor the money to take [illegible] investment approach, there [illegible] always the alternative strategy of buying into [illegible] potential bidder.

NBR SHAREMARKET SURVEY

WEEK ENDING MARCH 8, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
108	100	ATKWOOD,50C	105	108	103	12.0	2300	6.1	7.1
190	130	AJAX [illegible]	130	190	133	13.0	5300	[illegible]	[illegible]
95	30	A.J.WHITE	39	35	35	11.5	700	17.1	[illegible]
160	145	ALCAN,50C	155	139	155	20.0	600	7.3	6.7
255	242	A.M.I.	245	245	245	14.0	1200	5.7	6.2
75	72	ALLIANCE,50C	74	74	73	13.0	11300	[illegible]	4.9
245	250	ALLIED FARMERS	265	265	263	16.0	7200	5.7	5.1
130	125	ALLIED PRESS	127	127	125	10.5	1000	[illegible]	5.0
220	220	ALLOY STEEL	220	...	...	12.0	0	5.5	9.7
		AMALG.PATTS	140	...	...	13.5	0	8.4	5.6
212	190	A.M.BISLEY, 50C	190	140	133	20.0	700	5.1	7.2
92	86	AMPOL PET.,50C	98	94	93	11.0	200	5.7	15.8
128	125	A.BEAVER	127	127	125	12.0	30500	7.4	5.1
125	115	A SPRINGWALL	115	120	115	14.0	3100	12.2	7.5
240	240	A.WRIGHT	240	...	...	17.0	0	5.5	7.1
205	198	A.BARTLETT	205	205	192	16.0	2300	6.8	7.6
128	125	A.ELLIS	128	...	...	11.0	0	8.4	6.4
330	300	ARTHUR YATES	330	300	303	17.0	2200	5.7	5.9
315	175	ASHBY BERGH	315	...	...	22.5	0	7.1	[illegible]
210	198	A.S.PATERSON	210	210	213	15.0	500	7.1	7.1
188	175	A.M.CABLES	180	180	183	16.5	200	9.2	6.4
51	49	ATLAS, SIF	50	50	51	17.5	14000	17.5	9.7
330	310	AUST.GAS	330	330	331	12.5	2200	3.8	14.7
		AUST. INTERCON. PROP	110	...	...	5.0	0	4.5	21.9
226	210	AURORA,50C	215	215	213	16.0	2400	[illegible]	13.7
		A.C.I.	138	...	...	9.0	0	6.5	7.0
70	80	AUTOCRAT HOLDS	80	80	83	17.5	4400	21.3	2.5
90	50	BAILLIE,50C	53	53	52	10.0	2400	9.4	5.4
79	74	BALLINS,50C	75	76	76	12.5	17700	8.1	5.0
425	415	BANK, N.S.W. [illegible]	430	...	...	15.0	0	7.1	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1967=100)



Business agency seeks guarantee short cut

by Bruce Wallace

GOVERNMENT assistance to small business is still not fully operating, although the Small Business Agency was set up last June.

The 1978 National Party manifesto promised to expand its services but the SBA and the trading banks have yet to set up the guarantee facility that is one of the main strings to the agency's bow. It is unable to lend money directly, although it is a part of the Development Finance Corporation; instead the SBA wants to sign an agreement with the Bankers' Association which would provide for a standard legal document that could be rapidly applied if the agency wanted to guarantee the financial needs of a company.

In the first months of its operation, the SBA did provide guarantees for finance offered through the trading banks, using conventional banking channels, but SBA manager Murray Smith says they are not really suitable. What he

MURRAY SMITH ... need to grasp opportunities.

wants is effective action so that an opportunity can be grasped quickly once the agency has done its homework on a company.

Of course, in the United States, the SBA has its own finance to hand out, but that was going too far for the Government.)

The Bankers' Association in Wellington said it is not trying to be awkward. The Bank Officers' dispute has taken much of its time and energy for some months, while one or two banks have raised problems.

The Bank of New Zealand did not feel the legal conditions suggested tied in with its own documentation. V L Ansell, assistant general manager, said in principle we're in tune with the thing; our problems can be settled".

But Smith said he believes the SBA can offer better specialist advice to the men of small business than the banks and that is why the Government stepped in with the agency.

The inability to offer guarantee facilities, although they were announced by the Minister of Trade and Industry Lance Adams-Schneider last year, might well have disappointed some applicants. But more serious for the agency has been the less-than-enthusiastic interest as reflected by the inquiry rate so far.

Even though bankruptcies are breaking records and the Government says small business is a lifeblood of the economy, the agency received only 1731 inquiries from June 1978 to January 1979.

This was below the agency's own estimates, and might have been one result of the Government's refusal to allocate the $600,000 Smith requested for the first operating year. Instead, he got $500,000, and had to cut back on staff and promotion, probably getting fewer inquiries as a result.

So what were the difficulties that showed through from the small businesses that did knock on the door of the agency? Looking at the first six months, there was a concentration in the problems of raising finance, planning, marketing, selling and the question of how to deal with new business. The 10 staff members conducted a total of 1936 interviews arising out of the 1403 applications in the first six months. Of those interviews, nearly 46 per cent came from manufacturing, 19 per cent from retailers and 35 per cent from other sectors. Auckland was the source of 30 per cent while the offices in Wellington, Hamilton, Palmerston North, Christchurch and Dunedin received roughly equal numbers.

Smith argues that once the agency is offering the full guarantee facility and gets more money for the new financial year, as the manifesto promises, the inquiry rate should increase. But he warns that the operation could get overloaded and that would lead to frustration among applicants.

The rationale behind the SBA still appears to need some pressing, and this is largely up to the education programme of the organisation. Already Smith has spent a lot of time encouraging co-operation with other groups in the small-business field. But Smith's first six months show that his clients need specialised advice and constant attention from professionals like accountants and bankers -- knowledge they have not had before.

Smith also considers the agency has overcome initial opposition from the Associated Chambers of Commerce, which help out small businesses also. Alan S[illegible] of the Chambers said that he considers the two operations are "complementary" and do not conflict, despite earlier misgivings. The Chambers is hoping that more attention will be focussed on the area, and greater political pressure will be brought to bear on the Government.

Smith has been invited on to the board of management of the Otago University business development centre, and another encouraging development was the decision of a number of accountants to set up practices designed specifically for the small business.

He says that about half of the applicants from the manufacturing sector have export potential, which fits with the stated priority laid down by the Government. But the problem is that the SBA can go only so far in helping out, even in a priority area. According to its information pamphlet, it provides mainly a "diagnostic, advice and referral service", but without sufficient funds, and unable to offer guarantee facilities and alone loans, the SBA is an agency without [illegible] business.

For Sale: technology

by Alan Parker

NEW ZEALAND technology available for overseas manufacture will be shown to executives of some of the world's largest corporations this month.

A New Zealand stand has been booked at a technology exchange fair being run in conjunction with an International Licensing Executives Society (LES) conference in Sydney. The conference draws licensing executives from many of the major corporations of the world.

The Australian Innovation Corporation is taking advantage of the presence of technology buyers and sellers by mounting the First Australian Technology Resources Exchange Fair, giving Australian companies an opportunity to present their technology to this high-powered and captive audience.

And the Development Finance Corporation, with two executives attending the conference, has joined forces with 15 smaller clients of its Applied Technology Programme to give a New Zealand presence (one or two of the ASEAN nations are also displaying wares).

New Zealand technology on display will include heavy machinery (plate-rolling equipment made in Auckland), computer graphic plotters, automatic pneumatically-controlled drills, a non-polluting asbestos saw, and a marine testing facility.

Says Owen McShane, Auckland manager of the Applied Technology Programme: "We will not so much be selling finished goods at the fair but technology in the form of know-how, patents, inventions and so on. What will be on sale are the licences to manufacture."

And that raises a curly question: with the current emphasis on the need to boost export sales, expand our industrial base and reduce unemployment, should New Zealand be selling home-grown technology instead of finished goods?

McShane agrees that it is fair comment: "Most New Zealand businessmen do see licensing for manufacture overseas as selling out; they feel that the sale of finished goods for export and foreign exchange is the best way for New Zealand to improve its position.

"But the typical small New Zealand business cannot hope to get into the total world market quickly — and by the time he does, his technology is often out of date."

McShane says we should concentrate on one or two markets, such as Australia and the west coast of the United States, then offer our technology for licence in areas where there are particular problems such as language, different customs and so on.

It's a sophisticated approach which Australian companies are getting into and, says McShane: "10 per cent of $10 million is better than 100 per cent of $½ million. And, of course, all royalty payments are straight profit for the company."

Time for change: NZR at the cross-roads

by Bob Stott

In broad terms, much of the content of the New Zealand Railways discussion paper, Time for Change, isn't new — a point unwittingly highlighted by a large section of the news media which led off with the "news" that the 1978-79 Railways loss would exceed $46 million.

That figure had been available since last year's Budget and Estimates. And the "news" that rail freight traffic had fallen off as a result of the 150km limit on road transport and the recession was contained in last year's Railways Annual Report.

Losses on long distance and suburban passengers, and the effects of National's and Labour's rail price freezes, have also been covered in last year's and earlier annual reports.

So what's new about Time for Change?

The document essentially comprises two sections.

- A review of New Zealand Railways today...where NZR stands and how and why it got into that position;
- Discussion of the future (this part which has not been well reported so far.)

Time for Change, which was issued under the name of general manager Trevor Hayward, and whose work the document largely is, has a candour which can only be described as refreshing. It opens by claiming that NZR is often regarded in something less than a favourable light, and accepts that railways must take some of the blame for not taking the public into its confidence.

Discussing the present situation, the report explains how railway rates and charges were imposed by Government decree, how the NZR ran into the red and had to borrow money to keep going, and how today the railways not only have to face interest charges on the money borrowed, but also a drop-off in traffic owing to the recession.

The section on passenger services has had a good airing in public, especially since the decision was announced to withdraw one of the two overnight Auckland-Wellington trains.

Some media reports have indicated that all long-distance passenger runs will cease.

But Time for Change appears to make a commitment to continue at least some rail passenger services. The report says "future requirements for new long distance trains must also be considered...converted railcars are only a medium term solution pending the purchase of new equipment."

Some of the matters raised in the section on freight traffic have also been discussed elsewhere. In July 1977, this column concluded that there was no way the Napier-Gisborne line could be profitable — Time for Change confirms that the annual loss is more than $3 million on this route, and likely to rise.

The report lists other uneconomic routes — Okaihau, Dargaville, Thames, Cambridge, Kurow, Otago Central Kingston and Mossburn lines. Here again, this column warned (April 1978) that the Kingston line was losing heavily and risking the future of the Kingston Flyer tourist service.

In spite of rumour to the contrary, NZR does not appear bent on expanding its road transport interests. The report says that ancilliary goods services (feeding from small centres to larger rail terminals) will be phased out as the small centres so served lose their railway stations and goods sheds. Route services, "which are few in number and correspond to the operations of private road transport operators, will be continued on a conventional basis". Which doesn't sound like expansion.

The section on ferries attracted interest insofar as it suggested removing the South Island terminus from Picton to near Lake Grassmere. This would shorten journey times, "substantial economies" would follow, and "some charges would be reduced". One wonders whether among the economies would be the closing of the railway from Blenheim to Picton. Without the ferries, Picton would not generate enough traffic to keep the line viable — a "notional" line north from Blenheim might be the cheapest and most acceptable politically.

Rail Air is to go at the end of next year when present contracts expire — about time too, for the service loses money and is of doubtful utility.

Under the heading "support services", the section on track has a point which should be of interest. The section talks of continued investment in labour-effective track maintenance machines "and prudent use of contract forces" as being the main features in this important area of railways. If I were a contractor I'd be hoping that "prudent use" means more use of contract forces.

The report notes that the wage bill comprises 57 per cent of expenditure, and says the overall financial loss can't be reduced without some impact on staff numbers, which must be brought into line with the changing pattern of business.

This is self evident, and has been for some time. One can only hope that some sort of redundancy agreements can be thrashed out with the rail unions. It is easy to make a case for reducing operating staff (by closing small stations for instances) but less easy to shed clerical and administrative staff. To be effective, staff cuts should be across the board.

It is pleasing to see NZR claim the credit for its excellent apprenticeship scheme. Currently, NZR is spending more than $2 million annually, training no fewer than 1135 apprentices — many of whom will be lost when they complete their training as they flock to private enterprise concerns — which train no apprentices but offer better wages for tradesmen.

Private enterprise critics of NZR should be reminded of this sort of service.

The section on use of energy points out that rail movement of freight uses less energy than road, a point which cannot be argued against in general terms. This advantage does not apply to diesel-hauled passenger trains, says the report — but this is debatable. As British research has shown (and reported here November 1977), long distance passenger trains packed with seats set at bus spacing, and without toilets, corridors, and so on use less energy than buses.

Time for Change would have been more accurate in this respect if it had said that "traffic flows on longer routes in New Zealand are insufficient to warrant the use of trains, which are only effective energy savers when large numbers of people want to travel at the same time".

The above and the Time for Change version, add up to the same end result, so maybe the point is slightly academic.

As recently as January 31 this year, this column pointed out that if due allowance is made of railways social services then NZR's annual deficit is not nearly as bad as it looks. Time for Change makes this point. A narrow interpretation of the NZR financial result, it says, "does no justice to the thousands of railway men and women who understandably resent criticism of their efforts by a community which is not fully aware of the costs inherent in the provision of public services".

And it adds: The financial impact of these services should be clearly spelled out in the annual financial report"... the point made in this column.

In summary, it can be said that what is important about Time for Change is not what is being said, but who is saying it, and in what context. Theorists and commentators have covered most of the ground already, but now NZR itself is, if you like, making it "official".

Time for Change ends by enunciating three basic principles:

- To develop and expand those services which are commercially sound;
- To continue those services which provide proven and adequate social benefit — and spell out the costs;

TREVOR HAYWARD ... refreshing candour.

- To discontinue those services which have no clear commercial or social justification.

I think these three principles admirably sum up how NZR can get itself out of the mire, and can only add three basic principles for the public:

- When commercially-sound services are developed and expanded, don't complain about unfair State competition;
- When social services are retained in response to public appeal, accept the price of doing so as a cost to the community as a whole and not as a railways loss;
- When services which have no clear commercial or social justification are stopped accept the situation in good grace even if their demise does dent parochial pride. After all, if the services were useful they'd be used, and therefore financially or socially desirable.

Time for Change makes it clear that NZR is at the cross-roads. One way leads to larger deficits, a worsening public image, rock-bottom staff morale, an inability to attract able recruits and all the other evils associated with soaring annual losses.

The other way leads to a useful, indeed vital, railway transport service — and if Hayward can get NZR heading along this path, then his tenure as general manager will be seen as something of a turning point in the history of railways in New Zealand.

US aviation: small aircraft sales soaring

THERE is nothing quite so sobering as a look at the hardware on the tarmac at one of the world's major international airports.

At London's Heathrow Airport, for instance, it is possible to count in dollar terms the sum total of New Zealand's economy all tied up in Boeings, DCs, BACs, perhaps a Concorde, and a dozen other makes of aircraft.

At first it's an awsome sight. But consider it in terms of the usage of world energy and mineral resources and the whole spectacle takes on a new, if somewhat horrifying, perspective.

Tucked cosily here at the bottom of the world, it is easy for us to forget just how much of the world's finite natural resources are needed to sustain life as the major industrial nations, in particular, know it.

Heathrow, for example, needs a staff of 40,000 to run it. That's a sizable city by our standards.

And all this capital expenditure is devoted to only one aspect of life — the aerial transportation of people and goods from one place to another.

The whole crazy boom in aviation is leading to many and varied *changes* in the international aviation scene, from the development of monsters like Concorde to a boom in business aircraft.

From London, Financial Times writer Terry Byland reports on a new development — the upsurge in the operations of small, private aircraft...

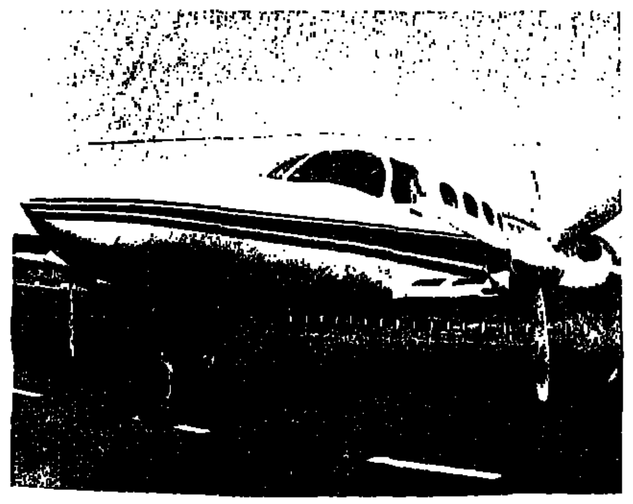
THE world energy crisis has produced many unexpected changes in business and consumer emphasis. None seems more unlikely at first glance than the sudden upsurge in the sales and operations of small, private aircraft, which were once the province of the very rich and would probably be at the top of anyone's list of high energy culprits.

But, for a number of reasons, the non-commercial aircraft business *has become* one of the fastest-growing industrial sectors in America, and now seems set to sweep the rest of the word.

The key to the upsurge already seen, and also to the future development, say sources inside the industry, is the almost total switch from private ownership to corporate ownership. The day of the wealthy private owner who liked to take his dinner guests for a spin in his private plane are long over as far as the major producers of non-commercial planes are concerned.

Today's marketing is aimed almost exclusively at major companies which are urged to *save executive time and improve* efficiency by buying a single or double engined piston aircraft, or even a small jet.

Moreover, it is clear that the growth has not come from the meagre base established in such direct industrial usage as crop spraying and the like. Today's non-commercial craft are flying limousines for senior management, often with boardroom facilities included, and not workhorses flown by ageing ex-air force pilots.



SMALL AIRCRAFT . . . upsurge in sales

The boom in the United States, strangely enough, has been fostered by the energy crisis, the very factor which might have been expected to damp it down.

Companies like Bangor Punta, which owns Piper Aircraft and its range of successful executive aircraft, have seen a *huge upswing in* business in the past five years.

Technical factors have certainly been important. Fear of the spluttering engines of the small aircraft of the 1930s continued to plague the non-commercial industry for years. But today's engines are much more reliable, and the growth in the industry has meant that the aircraft can be well backed up by servicing, checking and spare-parts services.

The startling advances in radar communications and navigational aids have taken a lot of the uneasiness out of small plane travel.

Another "helpful" factor often quoted within the industry is the imposition of the 55 mph road speed limit as part of the fuel-saving campaign. This move, in a country where only speed can counter the distances involved in taking top men from the head office in the city to the chemicals plant *in the* backwoods, has put a premium on the 300 mph and more cruising speeds easily attainable by the simplest of the non-commercial aircraft.

Since these small aircraft can be easily provided with a landing field, especially in the flat, desert lands of the south and midwest of the United States, it is not hard to see why non-commercial aircraft have swiftly become the air taxis of United States business, and *are often described as more* efficient users of fuel than motor cars. This argument assumes a great deal — for instance that it is long distance travel that is the test — but the advantages are clear enough.

Cost has also become a factor, especially since car prices have been forced higher, particularly at the executive end of the scale, where the fuel advantages of the smaller compact car are not really suitable. The larger Mercedes cars sell at around $35,000 in America at which price they are not far short of the cheaper of the executive aircraft. After allowing for *other financial factors*, there is not much difference as far as a major company is concerned.

But other, and perhaps more profound, factors are also stimulating the shift to business aircraft. The most significant one is undoubtedly the shift to the south by United States industry, a trend which has made Dallas and Houston boom towns with an industrial growth rate far beyond their northern counterparts.

The latest estimates are that *more than half of US industry* is now situated south of the famous Mason-Dixon Line, and that the trend shows no sign of abating.

There could hardly be a more favourable development from the point of view of the non-commercial aircraft business. The south is a land of wide open spaces. Distances between cities are high, and industrial plans are often deep in the country. Rural roads are often unsuitable for fast travel.

The south is almost one huge, natural airfield for small craft. The weather is generally kinder and more reliable than in the north. And, to complete the picture, the south is already the headquarters of the aerospace industry.

The combination of these factors has made the non-commercial aircraft industry strong inside America. The industry is now looking for similar conditions in the rest of *the world*.

Sales are already booming in South America, which incorporates many of the features which have made the United States so successful a market. In Brazil, for in*stance, industry is expanding* fast, distances are huge, the weather is good, and the road infrastructure poor.

The same factors are at work in the Far East, and the more adventurous of the industry's spokesmen are closely watching expansion of trade with China, which again offers great potential for non-commercial aircraft makers.

But the most important single prospect is Western Europe. Here, the weather can be a problem, but the industry is confident that this is no longer as significant as in the old Tiger Moth days. More significant is the high cost of commercial airline travel, despite recent moves to reduce it. The *distances* involved are large — the industry is keenly aware of prospects in Eastern Europe — and the weight of industrial money potentially involved is huge.

The clinching argument for further development in non-commercial aircraft comes from the problems facing the world's airlines. As competition on the commercial lines grows stronger, and costs continue to bite, the major airlines are being forced to cut services. *Of the 12,000 major* airports in the United States, only 500 are now served by commercial flights. This is a trend now likely to spread to Europe, and the only section of industry likely to benefit will be the non-commercial aircraft manufacturers.

Citizen band radio reaches boom demand

by John Gaines

CITIZEN band radio is a booming business for New Zealand manufacturers, retailers and peripheral manufacturers and servicemen.

A personal radio needs no qualification on the part of its operator, only a set and licence. It is a rising wave which has certainly not reached its peak.

There are some 25,000 licensed CB sets in New Zealand, and the number is growing at approximately 1000 new licences a month.

One estimate in the United States is that at least one person in every 20 holds a CB licence. If that was the penetration in New Zealand, with a population of three million, the figure would be 150,000 sets. The 1978 sales forecast for the United States was six million sets — at $55 each.

CB sets have to meet a Post Office Specification, RTA 23, but it's not particularly stringent. The sets are relatively simple, perhaps getting simpler because of integrated circuits and phase locked loop technology. Most of the technology is Japanese and even many of the CB sets sold in the United States are Japanese in origin.

Many parts have to be imported into New Zealand, such as the integrated circuits and transistors, but they are not expensive because they are produced by the million overseas.

Sets in New Zealand cost the user $200 to $300.

Although power of the sets was restricted to half a watt, in July 1978 an increase to two watts was allowed, and four new frequencies were allocated. There are now 11 channels for general use and three for Government departments, local bodies, or approved users (business people).

Often CB fills the commercial need of a small business or a specialised need, such as between the top of a construction crane and the ground, or in a large timber yard.

In New Zealand, Atlas Majestic Industries Ltd produces the Bell Pace, basically a Japanese set.

AWA NZ Ltd makes the AWA Clarion TR10, a new arrival on the market, but with that company's communications technology background, a logical one.

The Laser Communicator is also a new arrival, marketed by David Reid Manufacturing Ltd, and is a copy of the old Minicom which was produced by a small Christchurch company some years ago. David Reid retails them through its own chain of New Zealand electronic centres, and through shops which specialise in this equipment.

Tait Electronics Ltd has been selling CB sets for many years, a natural line for such a specialised radiotelephone company.

Autocrat Radio Ltd was one of the first companies in the field — it marketed the Fieldphone, a Japanese set, in the 1960s. It now handles the Handic, a Swedish design, a big name overseas, but only three hand-held models with one, two or three channels are sold here.

The Hytec B9 is made by Hytec Electronics Ltd in Christchurch, a small company.

Monitor Electronics Ltd, Auckland, makes Monitor and Moonraker sets.

The Heron is made by Matamata Electronics Ltd, Matamata.

The Comset X-5 is made by Comset Electronics, Hastings.

Airlane Industries Ltd of Auckland produces the Airlane. That name is one of the oldest in the New Zealand CB world, though the original company has gone out of business.

Hand-held sets are popular with trampers and climbers; bigger sets are used as bases and mobiles in cars, trucks and boats.

Many foreign-manufactured CB sets are brought into the country by travellers (they are cheaper in Australia, Fiji, Singapore, Hong Kong and Japan.) But the frequencies used overseas are different from New Zealand frequencies, so a change of crystals is required, and sometimes other modifications to make them acceptable to the New Zealand Post Office.

The peripheral companies make aerials, which are not just a piece of wire or metal rod. They are often of fibreglass, and base loaded or spirally wound with an exact length of wire to match the output of the transmitter. There are ground-plane aerials for base sets, mobile antennae, such as gutter grip and roof mount.

Crystals for the sets are big business. One crystal is required for each transmit and each receive channel, and for a set with 11 channels, that's 22 crystals at probably $6 each. Rakion Industries of Auckland and Hatfield Crystals Ltd of Napier share this business.

The new phase-locked loop sets require only a handful of crystals for multi-channel operation.

CB appeals to a people on the move, and New Zealanders are people who travel. In the United States, a CB radio is an optional extra for many cars. It is said that it will eventually be a standard fitting, just as important as brakes, or windscreen wipers.

Saki, Geisha, Datsun and Watties . . .

Tokyo Correspondent

THE familiar red and green Watties logo always startles New Zealanders in Tokyo when they see the frozen foods delivery van weaving between eternal lines of Toyotas and Datsuns. But it shouldn't. Watties foods have been around Japan since the late 1960s, although they've been slow to catch on in a country accustomed to fresh produce. Now, with the decline of agriculture and rapid industrialisation, all that's changing — but it's changing slowly.

For one thing, the Japanese housewife invariably doesn't have an oven, so pies and TV dinners are virtually impossible to sell. Sadakichi Toyoizumi, general manager of Wattie Japan Ltd, still shudders when he recalls an undisclosed number of such products that were imported and duly dumped, due to a lack of consumer interest. The other problem is that refrigerators are much smaller than in most western homes, and the housewife generally makes a daily pilgrimage to the supermarket, rather than storing provisions. Shopping is seen by most Japanese women as a hobby rather than a chore.

Still, today more than 60 per cent of imported frozen foods in Japan are used in hotels and restaurants. Last year, Watties' share of the total market was around 12 per cent, considerably down on previous years because of the enormous importance of frozen potatoes from the United States to fill the demand for the rapidly expanding American fast-food chains here.

SADAKICHI TOYOIZUMI . . . slow acceptance.

"American potatoes are better for frying and also cheaper," laments Toyoizumi. "Japanese potato consumption is increasing and there's a great future for potato imports from the United States."

He, or one of the other executives, makes regular trips to Watties in Hastings to keep abreast of product developments, with a view to extending the present Japanese range beyond peas, corn and mixed vegetables.

Much of the frozen food comes in bulk, and is repacked in superior laminated packs which remain transparent — unclouded in the freezer, unlike the New Zealand pack.

"Housewives here equate pack quality with product quality," says Toyoizumi, adding that sales increased significantly after he'd made the switch.

To get further insights into the business in Japan, he commissioned the country's number one advertising and marketing firm, Dentsu, to survey the field.

He says that television has been employed to push Watties' products to some effect, but that point-of-sale demonstrations have proven more effective. This involves a substantial budget in order to hire teams of attractive professional sales girls in the key supermarkets — as well, of course, as the production of equally attractive printed material. Nevertheless, he reports that women are generally still unsure about how to prepare frozen vegetables.

Big doesn't spell best

OGILVY AND MATHER have brought attention to a point which analytical media buyers have been trying to make to their clients for some time — that TV One with its majority audience share doesn't necessarily offer the best deal to the advertiser.

Ogilvy and Mather produced a media bulletin for clients subtitled "Television One or South Pacific Television? Audience share isn't everything." The study was written by O & M media director Graeme Hunter.

An article in The Dominion on January 9 outlined TV One's hold on two-thirds of the national audience share.

Advertisers, and some agencies, allocate advertising budgets according to these audience shares, Hunter said. What they should be doing is working out the cost per effective reach to their own target audience.

It is here that the analytical media buyer comes into his own.

The name of the game is to know a client's product, his market, analyse the programme ratings to find out what that particular target audience is watching when, and then compare prices on a cost per reach basis.

"The actual audience delivered by a specific programme is of greater importance than audience share, says Hunter. "The advertiser who places a commercial into a selected programme in peak time (6-10 pm) must aim to reach the maximum number of potential consumers of his product or service. Further, he must ensure that he has paid a fair price for the available audience."

Hunter takes his readers through the media-buying exercise to show how SPTV can work out cheaper than TV One, despite TV One's large audience share:

"Let's take an example from the most recent October 1978 BCNZ survey. A national advertiser wishes to direct his commercial to all women aged 25-54 years. It's a popular target group for many products.

"He has six commercial days to choose from, five on each channel; Monday being non-commercial on Television One, Friday on South Pacific Television and Sunday non-commercial on both.

"Saturday, for example, has an average audience of 45.2 per cent of women aged 25-54 years watching the two channels combined within the four hours of peak time.

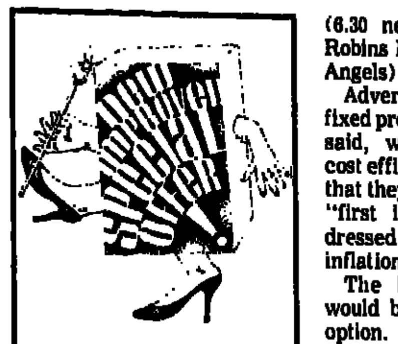
"They average 60.5 per cent of their viewing time on Television One and the remaining 39.5 per cent of their time on South Pacific Television.

"A 30 second commercial placed into A Week of It on South Pacific Television reaches 30 per cent of women 25-54 years for a cost of $1040, (or $34.67 for every percentage of the target audience reached).

"In contrast, the highest rating programme on Television One is The Muppet Show with an audience of 38.4 per cent followed by News at 6.30 (35.8 per cent). Only when the cost of this audience is taken into account is the true picture revealed (see chart A)

"Clearly, A Week of It is 38 per cent more cost efficient than The Muppet Show.

Thus station shares have little direct influence on ratings or cost efficiency when buying television programmes. "The art is to buy the right programmes at the right price," says Hunter.



ADMARK

Looking at TV One's new 1979 rates, Hunter notes that in 1978 most TV One advertisers bought the "rotate buy" at $1266, because few programmes achieved ratings high enough to justify the 50 per cent loading for "fixed programme" priced at $1839.

This year TV One cut the fixed programme loading to 30 per cent but, to protect the rotate buy, restricted the sale of fixed programme ads to 30 per cent of the time available.

The new situation is shown in Chart B.

Hunter said that last year, five programmes had ratings for the target audience Chart B high enough to justify the 30 per cent fixed time loading (6.30 news, Close to Home, Robins Nest, MASH, Charlie's Angels).

Advertisers able to buy these fixed programme slots, Hunter said, would enjoy excellent cost efficiency...but he warned that they were to be offered on "first in, first served, best dressed situation to fan rate inflation during 1979".

The bulk of advertisers would be left only the rotate option.

Hunter estimated that during periods of high commercial demand the rotate commercial could deliver 30 per cent less audience than previously, and between 15 and 20 per cent less during periods of moderate demand.

The net effect was to push the cost of advertising up by 25 per cent, as Hunter shows:

"Take an example from October 1978 survey and assume the reduced efficiency of rotate, due to fixed programme placement, was only 15 per cent. (It must be remembered that this is well below the theoretical maximum of 30 per cent.)

"By downweighting the peak time zone average by 15 per cent, calculate the effects on cost of audience delivery.

"For this example we have again used the target audience of women 25-54 years and the October 1978 BCNZ All New Zealand survey (see Chart C).

"Although seasonal viewing fluctuations affect the absolute audience throughout the year (winter audiences are highest, summer lowest, etc). Chart C clearly shows that the peak time rotate Television One advertiser could be paying in excess of 25 per cent more for his audience during 1979 than in 1978."

Hunter found that the net effect of TV One's rate increases was to make SPTV's rates more competitive on a cost-per-target audience reach basis.

In short, the cash-conscious advertiser is advised to look for bargains in some of SPTV's less popular programmes in light of the new rate structure.

CHART A

	% Audience	Cost 30 sec	Cost per % Reached
SPTV "A Week Of It"	30.0	$1040	$34.67
TV1 "The Muppet Show"	38.4	$1838	$47.89

CHART B
Peak Time Rates—30 Seconds

	1978 $	1979 $
Television One		
—Rotate [Base]	1226	1320
—Fixed Programme	1839	1716
South Pacific Television		
—Rotate	880	872
—Fixed Programme	1040	1090

CHART C

	1978	1979
Television One		
6-10 p.m. Zone Average [%]	29 less 15%	=25
Cost—30 second	$1226	$1320
Cost per % audience	$42	$53

Amalgamation flaps buyers

The coming amalgamation of TV One and SPTV has media buyers in a major flap. Many, in anticipation of a hefty rate increase, are booking space in alternative media and casting a worried eye at the big block bookings they have with TV.

But all the furore may be precipitous. If TV has to abide by price control regulations governing the rest of New Zealand industry they must wait at least six months from the last rate increase until asking for more. TV One's last rate increase doesn't become effective until April 1.

Until such time as a new monolith replaces the current TV One-SPTV duo, media buyers will be faced with a choice.

LETTERS

Restructured economy

WARREN BERRYMAN's article in your February 28 issue — "How to bring NZ trade out of its protectionist hothouse" — misleads in several respects and provides a very dubious prescription to cure our economic ailments.

But before I am accused of taking a typical, pressure-group reactionary stance, let me make it clear that the Manufacturers' Federation accepts the broad view of the Planning Council that restructuring is necessary, that it must involve a freeing up of the economy, and that more resources must be released for export. The federation recognises that the manufacturing sector must be part of this process and that the present machinery and incidence of protection must be included in the overall review.

The federation feels concern, however, when talk of restructuring appears to be preoccupied with just one sector — manufacturing — and in particular with the aspect of import licensing.

Restructuring must involve all sectors if it is to succeed in any one sector. The Planning Council realises this. To lay the blame for New Zealand's current poor performance at the feet of manufacturing and to single out import licensing as the arch-villain is to be guilty of grossly simplistic and distorted thinking.

Let's get import licensing in perspective. In 1958, it covered the total range of New Zealand's imports. Today, it accounts for 25 per cent.

Even that 25 per cent overstates the reality. Of that figure, six per cent relates to motor vehicle imports where licence is granted on an automatic replacement basis and therefore does not constitute quantitative import control in the classic sense. A further deduction has to be made for "rollover" licence arrangements negotiated under NAFTA.

This means that less than 19 per cent of our imports is currently subject to quantitative import control — hardly the behemoth that some commentators imply.

It is plainly silly to identify import licensing as the major constraint on the country's growth rate, on its export performance and even — as Berryman implies — as a significant factor in farm input costs. The latter are surely much more affected by inefficiencies in the processing and service sectors.

Berryman also picks a bad example when he cites motor vehicle prices as reflecting primarily the inefficiencies of protectionism. The customer is paying his high prices largely because of tax. In many cases, with the tax element in both countries taken out to enable proper comparison, vehicle prices in New Zealand are cheaper than those in the United Kingdom.

To hear Berryman and some others talk, one would imagine that we in New Zealand are sitting alone in our murky and far-flung corner of the globe, while enlightenment reigns *supreme elsewhere*. Our farmers know all about agricultural protectionism in overseas markets, but too little attention is given to the protective devices employed against manufactured goods in so many countries — including some which are held up to us as paragons of industrial virtue.

Japan, for instance, is one of the most artfully protected countries in the world where imported manufacturers are concerned. And I have only just been hearing about the problems of getting manufactured goods into Germany — another instance of protection by stealth.

At least New Zealand is relatively honest about the protective machinery it employs. Other countries are much more subtle and devious about it — but protection is still the name of the game.

The greatest factor in our poor economic performance has surely been the decline in our ability to sell our primary products on world markets, mainly because of access problems.

To compare New Zealand's overall economic and export growth with "other industrialised countries" is to be naively misleading. We are not an industrialised country — although I believe we are on the way to becoming one. The Manufacturers' Federation has a target of getting 20 per cent of total manufactured production into export by 1984, more than twice the present percentage, and this will get us closer to the point where we can be compared with our partners in the OECD on something like an "apples with apples" basis. But at this point, such comparisons are invalid.

Nor is it satisfactory to compare us with the up-and-comers in Asia — Korea, Taiwan and Singapore. They are not required to support the kind of welfare and income-sharing systems that we have in New Zealand, and this is clearly reflected in their ability to price. Their present comparative advantage will steadily erode as they assume greater social obligations and in this respect their experience can be expected to parallel *that of Japan*.

New Zealand industry has developed greatly through the years. Its export performance in the past decade has been remarkable and more and more emphasis will continue to be given to overseas markets. Restructuring is already occurring, under the pressure of market forces, and manufacturing has been the one sector in recent years to show productivity growth.

Much more needs to be done and will be done. The need now is to create an overall environment which provides the greatest possible stimulus to entrepreneurial and managerial initiative.

As the sector develops, its need for protection can be expected to diminish. But it is star-gazing indeed to look, as *Berryman does, to its eventual elimination*. If the United States, Japan and Germany have not managed it — to name just three — it is hardly a realistic aspiration for New Zealand.

I G Douglas,
Director general,
New Zealand Manufacturers' Federation.

Credibility gap

THE recent crash of a Fokker Friendship on the mudflats adjacent to Mangere International Airport demonstrated the extent to which our Ministry of Transport has organised life-saving facilities there.

Immediately after the crash, one rubber dinghy was the total available life-saving equipment. At a later stage (when an outboard motor had been borrowed) a second rubber dinghy became available. Still later, the only trailer jet boat used by the fire service for reaching moored yachts and launches was brought across Auckland.

It is indeed fortunate that this aircraft did not have a load of passengers as there is no way that the facilities provided could have saved them from drowning. With miles of mudflats and shallow water, Mangere International Airport probably offers better prospects of surviving a crash than most other airports. However, there is little consolation in surviving a crash if one is to drown half an hour later.

Shortly after the crash, the Minister of Transport, Colin McLachlan, sought to escape criticism by assuring the public of New Zealand that at all times the facilities met the rigid specification of ICAO. Doubtless this statement was literally true. But clearly the facilities are totally inadequate, no matter whose specifications are quoted. Since then there have been suggestions from the Minister's own department that the ICAO standards cover only land-based crashes and that there are no specifications covering mudflats and water such as surrounds Mangere.

We have long been accustomed to the inept image projected by McLachlan, but this serious credibility gap concerning safety is really going too far. The peace of mind of the travelling public demands clear cut and positive action, not mere waffle and hot air. If McLachlan fails to appreciate the need for his immediate resignation, it is to be hoped that Rob Muldoon is more perceptive. The last National Government's fiascos over oil exploration and housing were accepted as incompetent bungling but demonstrated an increasing Government use of credibility gap. However, this technique is quite unacceptable when the lives of the travelling public are the issue.

A Anthony
Buckland's Beach.

Beef butter account

IN Colin James' article on the Government's price supplementation for farmers in your issue of February 7, he says the Government is now directly in the business of income support and income skimming, "this year taking money off beef growers".

It is the Meat Producers Board, not the Government, that is currently levying beef producers' returns under the price-smoothing scheme for export meat administered by the board.

This levy income is going into the beef buffer account, which was $14.2 million in the red at the start of the season on October 1, 1978. If present price levels for export beef hold for the rest of the season, this debt will be wiped out and the beef account should show a healthy credit.

Between 1974-75 and 1977-78, the board paid out a total of $47 million to support beef producers' returns under the price-smoothing scheme. As the scheme is self-balancing, levies are necessary when beef prices are high (as they are now) as repayment for previous price support and to re-build the account as an insurance against the rainy days when export prices are low.

John Cornwell,
Chief information executive,
NZ Meat Producers Board.

The wages debate

THERE is a danger that the debate on "wage overhang" will be too restricted to draw a useful conclusion. A firm's choice of technology is not simply a matter of the wage to profit rate. The prices of imports, energy, transport, and Government services will all influence the quantity of labour that the firm employs. If the prices of imports, energy, transport, and Government services are too low, the manager has an incentive to overuse these and save on labour.

The issue is complicated by the high income tax rate on employees, which on average increases the cost of a worker to an employer by a third relative to the worker's take home return. The irony is that part of the tax revenue is being used to keep down the price of energy, transport, Government services and imports (via subsidies to exporters) to firms. This suggests that part of the "wage overhang" is a "commodity underhang". Rather than repress real wages we might first repress subsidies, using the extra revenue to reduce income tax to compensate workers for higher prices.

We need also to look at the extraordinary tax arrangements on unearned income. For instance, the neglect of a capital gains tax, in some form, is an encouragement to the farm industry to invest in land speculation and labour extensive farming. There is the strong likelihood that if the subsidy and tax structure to farming was more neutral, more labour would be employed on farms, producing a different balance of farm output.

Certainly the wage to profit ratio is important in any economy. But it is chastening to remember that the theories we were taught in the 1960s, and alas are still taught by some in the 1970s, are known to be logically inconsistent. Moreover, our knowledge on the empirical situation in New Zealand is limited and we need more research.

Factor shares tell us very little, even in terms of the theories of the 1960s. Thus we need both research to establish whether a wage overhang exists and discussion on its significance, before we can take major initiatives in a rational way.

In the interim we can take measures to eliminate the commodity and tax underhangs.

Brian Easton,
Department of Economics,
University of Canterbury.

Exel's trail blazing

IN your Admark section recently I read with interest of the formation of a new agency — Corporate Marketing and Advertising Ltd., with David Exel as its chief executive. Exel says "This is a trail *blazing effort to fill a clearly* perceived need."

In my experience this need has been apparent for some time and I'm sure those companies which avail themselves of such a new service will be appreciative of its existence.

Exel is not quite right in inferring that his new company is penetrating virgin soil. My own consultancy has been largely concerned with the corporate aspects of my clients' communication needs since I commenced operations back in 1972; but may I offer my congratulations to C & M as an agency that not only perceives the need but does something about it.

L J Underwood,
Wellington.

Elucidation requested

IN an article on the front page of your paper dated February 7, 1979, a staff writer, Colin James, makes two comments which appear to warrant a little more elucidation, namely:

"In 1976, *according to a* Treasury insider at the time, Muldoon was converted overnight to freeing up the financial markets — a policy which is generally considered to have been highly successful."

"The Treasury, long considered more market orientated than successive Cabinets of both political colours, has been emboldened by the success of the freeing of the money market."

Economists, the New Zealand Planning Council and the OECD agree that increased productivity is the key to our present economic troubles. Would Colin James please explain how the continuing rise in interest rates has assisted productivity, and, in particular, the primary producer and the manufacturer? He could go on and *explain how it has assisted* a person wanting to buy a home, the unemployed, and the ratepayer. Local authorities today, for every dollar borrowed, have to find over four dollars to pay interest and repay principal; and we wonder why local authority rates continue to rise. Obviously the policy is generally considered to be highly successful by the banks, the finance houses and persons with money to invest.

Speaking to the Associated Trustee Savings Banks in Christchurch last year, the Prime Minister said: "I have predicted that market pressures will lead to interest rates falling this year. Policy will, if necessary, reinforce this trend." To give the lie to his own words, less than eight months after that prediction was made the Government floated a loan offering an interest rate of 11 per cent, a record high for a gilt-edged security. Any person with more than a hundred dollars in the Post Office Savings Bank could, by simply signing a form, have the rate of interest increased from 3 per cent to 11 per cent; an increase of 260 per cent, and, of course, an additional burden on the tax payer. Interest rates offered by financial institutions are still rising.

If the present state of the economy is an indication of "the success of freeing the money market" I hesitate to contemplate what our position would be today if the experiment had proved a failure.

D J Boswell,
Wanganui.

Colin James does not purport to have sufficient knowledge of economics to judge for himself whether the freeing of the financial markets has been highly successful. He merely reports a prevailing opinion in Wellington that this is so. It is to the holders of that opinion that Mr Boswell must turn for his answers. Sorry — Editor

NZ may give up free Tokyo display space

Tokyo Correspondent

A HUNDRED square metres of floor space on some of Tokyo's most expensive land is likely to be relinquished by New Zealand — even though it has been provided indefinitely, free of cost.

Last year, the World Import Mart was opened in a joint effort among the Japanese Government and a star-studded list of shareholders like Mitsui, Mitsubishi, Hitachi and Kawasaki Steel, to overcome international criticism of inaccessibility to the Japanese market.

Part of the ultra-modern Sunshine City complex near Ikebukoro, the world's busiest railway station, the World Import Mart boasts 11 floors of facilities for importers and exporters, including a business information centre that serves as a go-between.

International restaurants, a travel and tourism centre that issues tickets, passports, and inoculations at the same time, and floors of consumer shopping area specialising in everything imported from fashions to food, comprise the remarkable project. The sixth and seventh floors are arranged by Japan's External Trade Organisation (JETRO), which allocates space to participating countries. New Zealand has been sharing the sixth floor with West Germany, Finland and the ASEAN countries since the building opened for business last *autumn, but to date embassy* officials have been generally disappointed with the traffic.

The biggest exhibition — ASEAN — is still incomplete, and hampered by disagreements among the participating countries. Weekday traffic in the gleaming expansive corridors is almost absurdly light.

Consequently, the New Zealand exhibition is locked during the week, and at weekends the Japanese agent for Feltex carpets is on hand to chat to larger numbers of people, who can also mill around the travel and other trade displays or watch a *continuous* tape-slide presentation of New Zealand's scenic attractions. New Zealand officials are not normally in attendance.

JAPANESE . . . inspecting New Zealand carpet exhibit

There's a spinning wheel in the window that a number of people have inquired about buying, pictures of sheep, carpets and other sundry items, but there is official unwillingness to spend the sums of money needed to come up with attractive displays until the numbers increase. New Zealand's gratis lease expires this month and despite assurances that the crowds will come soon, there's a strong possibility that the exhibition space will be given up.

As a spokesman at the embassy in Tokyo put it: "The numbers don't seem to justify spending a lot of money on it and manning it. We were initally enthusiastic and we're disappointed. We're looking at the situation and trying to decide what to do."

But confidence in the long-term potential of the project is reflected by the decision of the United States Trade Development Centre to make its base at the World Import Mart. Although New Zealand's abandonment of the present premises wouldn't mean it couldn't participate in temporary exhibitions at other times, there is a feeling in some quarters that the permanent space would prove a long-term benefit.

The New Zealand Tourist Office is also taking part in the project, and Tokyo manager David Lynch is more enthusiastic. "Although I have only three staff members, we could still work on a roster with the embassy staff and have someone there most of the time. I'm sure that the people will come once the centre is really established The opportunity seems too good to pass up."

While there are rumours that some members of JETRO are anxiously exploring ways to attract more potential importers and members of the public to the World Import Mart — to the sixth and seventh floors especially — there's a feeling among some members of the New Zealand business community that representation in the prestigious operation is itself worthwhile.

The vice preside[nt] Dunedin Export ... Owen Tallentire, ... manager for Arthur ... Co. Ltd, was recently ... on business, and ... out for promotional ... *portunities.*

"For New Ze[aland] manufacturers to ... products in Japan, the ... display is ... astronomical. This ... space at the World ... Mart is especially valu[able] launching new products ... we get a ... established, of course, ... can be displayed ... showrooms," he said.

Competition in insurance

by John Sloan

THE New Zealand Planning Council's recommendation that the economy should be exposed to more external competition has disturbing implications for the fire insurance industry in New Zealand.

Some of the problems of heated competition — if you'll pardon the expression — were underlined by the Australian Re-Insurance Company's publication Experiodica.

There were three main causes of overcapacity in the London market and resultant severe competition.

Experiodica reported:

Names at Lloyd's with top-rate income taking up syndicate membership for tax advantages only;

National (particularly reinsurance) companies which are out to establish a presence in the market and for which profit is only a secondary objective;

Foreign (above all, American) companies seeking to establish themselves in London as the centre of European insurance and reinsurance markets almost regardless of cost.

"The problem of overcapacity affecting also the world insurance markets in general is expected to become even more serious in future," the publication said.

If the New Zealand insurance market were exposed to unrestricted international competition, a major transfer of business from New Zealand to overseas insurers could occur. But it is doubtful that the Government would permit a massive outflow of ... funds to pay the pr... even if a proportion ... come back by way of ... and reciprocal busine[ss].

It can be argued ... that the stability of the ... insurance market ... protected. Perhaps ... Planning Council's re[com]mendation to ... unrestricted competition ... necessary on an inter[national] scale — is its obvious ... to the classic ... protecting local industr[y].

The Govern[ment] presumably, is aware ... suicidal competition ... threatened the Aus[tralian] insurance market, ... collapses of insura[nce] brokers have becom[e] frequent and close ...

New Zealand is ... world insurance sta[ndards] but there is plenty ... petition among local ... for good and bad busine[ss] unlikely that the Gove[rnment] would stand back and ... local and overseas ... and brokers to engage ... ruinous premium cutt[ing]. The battle might bri[ng tem]porary savings to ... could produce disastrous ... term effects for the ... own industry.

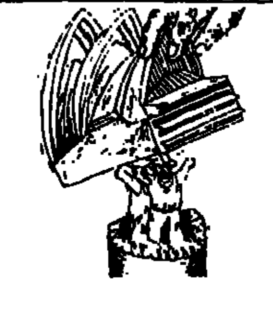
Dunstan's departure has eerie resonance

by Spiro Zavos

TO a New Zealander the manner of Don Dunstan's departure from politics had an eerie resonance to it. Dunstan gave a press conference at the Calvary Hospital in Adelaide. He was shepherded into the conference room by a number of aides who literally had to hold the sick man up to stop him from collapsing. Dunstan leant heavily on a walking stick. His hair was slicked back and had an unhealthy matted look about it. The man's face was drawn, his once lively mouth drooping in the saddest of expressions. His voice, formerly an instrument of charm and sophisticated venom, was now faltering. Occasionally he had to stop to wipe away tears from his eyes.

The memory that all this evoked was that, of course, of Norman Kirk in his last days. Like Kirk, Dunstan had been a figure larger than life. There was something unnatural to see him cut down to such a tiny, pathetic size by his illness.

Of all the Australian premiers, Dunstan was probably the best known, the most controversial and the most successful. As leader of the South Australian Labor Party he lost only one election. This was the first election he contested as leader after deposing a party hack. Even in this election, nine months after he gained control of the Labor Government, Dunstan won 53 per cent of the vote. The ruling *Liberal Party gained 42* and stayed in office, thanks to a massive gerrymander. The Liberal party leader, Steele Hall, did the honest thing and redrew the boundaries along more democratic lines. Dunstan won the next four elections (he was premier for just under 10 years) and the Liberals turned on Hall and forced him out of the party.



THE AUSTRALIANS

The State that Dunstan inherited as leader was making an effort to set up manufacturing industries, the so-called "bid for growth". It was known as the most reactionary State in the Commonwealth, the Queensland of the 1960s. Under Dunstan that changed. He cultivated the arts, broke down the gates of censorship and generally made Adelaide a lively and lovely city to live in. People who have been there tell me that people in Adelaide are more courteous and better-informed than people from, say, Sydney or Melbourne. Whether this is true or not, the fact is that Dunstan tried to create in Adelaide the Greek city-state ideal.

Unfortunately for him, most of his dreams were collapsing when his health caved in on him. Some brilliant films have been made by the South Australian Film Corporation, for example, but this pacesetter is beset by financial problems. Dunstan's style of leadership, often referred to as "trendy", has come increasingly *under attack on the* grounds that it was all froth and bubble and no substance. The State suffers grave industrial problems. The bid for growth has failed. South Australia cannot escape its geographical isolation from the mainstream of Australian commercial life which is situated in Melbourne and Sydney, those two densely-populated enclaves on the farther eastern coast. Chrysler's big operation in Adelaide is being hard-hit by depressed car sales. Joint ventures with South-east Asian enterprises have fallen through. The future for the State is as gloomy as Dunstan's present health. His health finally collapsed during a whirlwind world tour undertaken to find an answer to the uranium question. No answer was there, and Dunstan was forced to back the Labor policy of no mining.

Dunstan's determination to end his political career puts a stop to the often-canvassed possibility that he might, at a future date, have moved into Federal politics. The thinking was that if Hayden lost the next election (not entirely a foregone conclusion — opinion polls show Labor in front), then Dunstan would be brought in as the new hope of the party.

That possibility is no longer on. The new heir apparent in the wings is the articulate, successful, glamorous premier of New South Wales, Neville Wran. Like Dunstan, Wran was a successful lawyer and part-time actor before going into politics. Like Dunstan, too, Wran is often accused of "cosmetic" politics.

My only encounter with Dunstan took place in 1973 when Gough Whitlam, then Prime Minister, opened up the premiers' conference to the press for the first time. The conference started at 10.30. Minutes before, the State premiers, with their grey men in grey suits hovering behind them, had taken their place at the table. An air of expectancy vibrated around the room as *we waited for Gough to make* his entrance. But 10.30 came and went and no Gough. The expectancy quickened. Then the great man entered, his fine coiffured head nodded to the premiers and just discernibly nodded to the press. He sat down with an air of self-satisfaction and then in that curiously articulated but pleasant voice began his opening address. Only a few words into the texts, he heard the door opening and turned to see Dunstan, in a pinkish safari suit, a slim briefcase in his hand and a beautiful Chinese woman by his side, make his appearance. It was the political upstaging of all time.

It is Dunstan's tragedy that the beautiful Chinese woman, Adele Koh, a brilliant economist who later became his wife, died last year after a long drawn out battle with cancer. His own glittering career is finished, and for once this cynical journalist can't help feeling pangs of sorrow at the passing from the scene of a politician, in every sense of the word.

DON DUNSTAN . . . collapsing

Artificial sweeteners face identity problems

by Belinda Gillespie

IS it a food? Is it a drug? No, it's saccharin!

Two artificial sweeteners are permitted under New Zealand law, but their status is somewhat ambivalent.

Food manufacturers would like to be allowed to use them much more, because both are very cheap and very sweet.

Saccharin, discovered late last century, is 200 times as sweet as sugar. Cyclamate, with us since the 1940s, is about 30 to 80 times as sweet.

Before its banning in 1969, cyclamate was the basis of a billion-dollar industry in the United States and Britain, where it was widely used in manufactured foods as a sugar substitute.

The scientific community warned that a substance introduced as a drug and intended for people who had to reduce their sugar intake for medical reasons had no place in the general food supply. The warning went unheeded by the food industry. Cyclamate was much cheaper than sugar and had none of the flavour or stability problems associated with saccharin.

The evidence that cyclamate caused bladder cancer in rats, which led to its banning, was shaky, but the prohibition was swallowed without too much trouble by the food industry which could fall back on saccharin.

But early in 1977, the Canadian and United States authorities jointly announced a ban on saccharin. A Canadian experiment had pointed to saccharin as a cause of bladder cancer in male rats over two generations.

Although saccharin has been in use for more than 80 years in the United States, there is no evidence that it has caused cancer in humans. History has proved to be on the side of Ted Roosevelt, who declared in 1907, that "Anyone who says saccharin is injurious is an idiot".

Nevertheless, the FDA had no choice but to ban it. Under the famous Delaney amendment to the Food, Drug and Cosmetics Act, any food additive that causes cancer in either humans or laboratory animals must be prohibited.

When the Delaney clause is invoked, the repercussions are international. The drama of an overnight ban on a substance which is the basis of a major industry has media appeal.

A government which neglects to follow the American move can be made to appear negligent of consumer health, or cynically favouring manufacturing interests.

On the other hand, the clause is the subject of bitter criticism by scientists.

The ability to detect carcinogenic substances in the environment has been refined in the 20 years since the amendment was passed, to a degree that it seems before long virtually all food, drink, and even air will be shown to contain carcinogens.

The United States law precludes also any consideration of the benefits of a food additive — for example, helping people to lose weight, or providing sweetness for diabetics.

Some test animals are more susceptible to cancer than others, and doses used in experiments may be ridiculously in excess of an expected human intake. The Delaney clause does not recognise these factors.

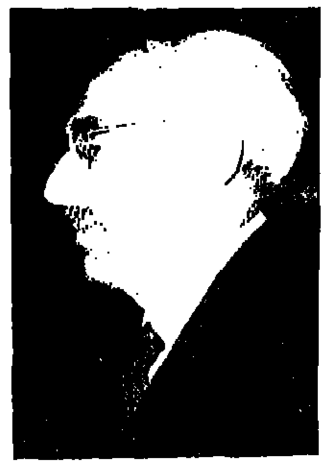
Food manufacturers, diabetics and weight-watchers vigorously protested against the saccharin ban. In fact, implementation of the ban has been blocked, and a stop-gap bill introduced ordering a major study of saccharin by the United States National Academy of Science, and subsequent advice on food additive legislation.

The situation is different here, where the use of cyclamate and saccharin has always been restricted to manufactured products intended for diabetics.

But the results of the United States study, expected this month, could cause Health Department action on saccharin, and consternation in the food industry among the producers of artificially-sweetened drinks.

Saccharin has been called "a chemical in search of its identity".

It is classified here as a food additive (any food containing it or cyclamate must be labelled as "special purpose food" intended for use by diabetics). But either may be bought in pill, powder or liquid form at chemists' and grocers' shops for the individual consumer to add to food.



MAGNUS PYKE ... 9 seconds off life.

In America, the FDA is considering reclassifying saccharin as a drug, while remaining adamant about getting it out of the food supply. If this could be achieved, the position might be similar to that in New Zealand, where sweeteners are freely available over the counter, but restricted in food.

There are numerous critics of the position that saccharin is dangerous. Manufacturers of artificially-sweetened drinks would like us to think they are doing us a healthy favour with their products. They claim that sugar is far more dangerous than saccharin — its effects on tooth decay and obesity are well known, they say, while there is no solid evidence for saccharin's harm to human health.

Magnus Pyke, recently in New Zealand for the ANZAAS conference, called for a change in outlook on substances such as saccharin. He estimated that, if further tests confirm the Canadian results, the consumption of one bottle of artificially-sweetened soft drink might result in a life expectancy reduced by nine seconds, and warned his audience to "make sure the hearse is punctual".

By similar calculations, smoking a cigarette cuts life expectancy by 12 minutes, and few consumers could drink 20 or more bottles of soft drink a day — the level of cigarette consumption reached by even "moderate" smokers.

"Supernumerary calories", claimed Pyke, also pose a far greater health threat than saccharin. He suggested that there is a need for some means of weighing up the practical importance of scientific discoveries, and arriving at a "rational balance" between risk and benefit.

Health officials here tread a tightrope between allowing food manufacturers a carte blanche on sweeteners, and restricting their use altogether. In practice it is difficult to implement the regulation which attempts to confine the sale of artificially sweetened drinks to diabetics.

Late last year Dr J H H Hiddlestone, the Director-General of Health, issued a statement criticising the advertising of artificially-sweetened foods. These products should not be promoted as suitable for children or the general public, he said — yet a recent survey had showed that 40 per cent of saccharin-containing drinks were drunk by children under nine years, and another 20 per cent by those between nine and 19.

Soft drinks with names like "Slimline", "Happyade" and "Thriftee" are clearly not aimed at a diabetic market. They are orientated, respectively to more lucrative segments — the relatively sophisticated weight-conscious consumer of tonic, ginger-ale, lemonade and cola along with spirits; the child market; and the cost-conscious housewife.

Although the weight-reducing properties of saccharin are widely believed, there is no hard evidence that those who use it get slimmer than those who don't. Similarly, there is nothing to show that sugar, in particular, causes people to put on weight, rather than overeating in general.

The Health Department view is that diabetics, to whom sugar may actually be harmful, face a lifetime of food restrictions, and artificial sweeteners, though not essential, considerably brighten their lives.

The general public, however, can get by without them, and children particularly may suffer long term harmful effects, as yet unknown.

Manufacturers who have been gradually encroaching on these markets, therefore, have been called to heel, and directed to comply with labelling requirements. The department is still engaged in the work of reviewing the labels of all products, and writing to those who don't comply.

Manufacturers have been sent copies of proposed changes to the labelling regulations, which it is hoped will go through with the fourth amendment to the Food and Drug Regulations in the next parliamentary session.

The steady extension of the market for artificially-sweetened drinks has taken place despite repeated warnings by the Health Department over the last few years. If implemented, the new labelling requirements will demand a declaration of the type of sweetener used, and a medical warning that the product is not suitable for children unless recommended by a doctor.

The effect, therefore, could be expected to be of a magnitude comparable with that of the health warning on cigarette packets.

The present compromise has not been a deterrent to the marketing ambitions of soft drink manufacturers. A more sweeping condemnation of saccharin as a health risk may prove to be its death knell.

A recent report that saccharin can act not only as a carcinogen, but as a promoter — a substance which increases the cancer-inducing action of other substances may lend weight to the results expected this month, and cause artificial sweeteners to be confined to the shelves of pharmacies in this country and overseas.